

Algeria	100.00	Indonesia	100.00	Philippines	100.00
Argentina	100.00	Iran	100.00	Portugal	100.00
Australia	100.00	Israel	100.00	Romania	100.00
Belgium	100.00	Italy	100.00	Saudi Arabia	100.00
Canada	100.00	Japan	100.00	Spain	100.00
Denmark	100.00	Korea	100.00	Sweden	100.00
France	100.00	Lebanon	100.00	Switzerland	100.00
Germany	100.00	Luxembourg	100.00	Taiwan	100.00
Greece	100.00	Malaysia	100.00	Thailand	100.00
Hong Kong	100.00	Mexico	100.00	Turkey	100.00
India	100.00	Norway	100.00	UAE	100.00
Indonesia	100.00	Poland	100.00	USSR	100.00
Iran	100.00	South Africa	100.00	Yemen	100.00
Israel	100.00	South Korea	100.00		
Italy	100.00	Singapore	100.00		
Japan	100.00	Taiwan	100.00		
Korea	100.00	Thailand	100.00		
Lebanon	100.00	Turkey	100.00		
Luxembourg	100.00	UAE	100.00		
Malaysia	100.00	USSR	100.00		
Mexico	100.00	Yemen	100.00		
Morocco	100.00				
Norway	100.00				
Poland	100.00				
Portugal	100.00				
Romania	100.00				
Saudi Arabia	100.00				
Spain	100.00				
Sweden	100.00				
Switzerland	100.00				
Taiwan	100.00				
Thailand	100.00				
Turkey	100.00				
UAE	100.00				
USSR	100.00				
Yemen	100.00				

FINANCIAL TIMES

NICARAGUA

Some battles have just begun

Page 7

No.31,098 • THE FINANCIAL TIMES LIMITED 1990

Wednesday March 14 1990

D 8523A

World News

Bush lifts economic embargo on Nicaragua

President George Bush lifted the economic embargo against Nicaragua and asked Congress for \$300m to help the new government recover from years of hardship. Page 18

Mandela's appeal

South African nationalist leader Nelson Mandela called in Stockholm for an intensification of sanctions and the ending of diplomatic ties with Pretoria. Page 2

Monetary union aim

European Community states should aim for total monetary union with a single currency but avoid binding policy rules, according to a paper discussed in the European Commission. Page 18

Kashmir warning

India's Prime Minister V.P. Singh warned Pakistan against interfering in Kashmir, pointing out that India was "able and willing" to use military means. Page 4

Warsaw Pact threat

Hungary's front-running opposition party said it would ask parliament to annul the country's Warsaw Pact membership after free elections.

Dublin refusal

Anglo-Irish relations seem certain to be a hit by an Irish Supreme Court refusal to extradite two IRA men who escaped from a Northern Ireland prison. Page 18

Cuban arms banned

Brazil said it returned to Havana a planeload of arms that arrived ahead of a visit by Cuban leader Fidel Castro.

Salvador rebel offer

Left-wing Salvadoran rebels are actively pursuing a negotiated settlement through the United Nations, the group said. Page 6

Iraqi response

Iraqi President Saddam Hussein will not intervene while under political and media pressure to reduce the death sentence on British-based journalist Farzad Bazoft for spying, the Iraqi news agency INA reported. Page 5

Florence protest

Socialist mayor Giorgio Morassut and his coalition council resigned following criticism after a series of racist attacks on North African immigrants. Page 2

Van Gogh theft

A Van Gogh oil painting, "Wheatfield with Sheaves", worth about \$1.7m, was stolen from a Zurich customs depot.

Papandreou target

Greek Socialist Party leader Andreas Papandreou said he would seek communist support in the April 8 general election, the third in 10 months. Headline for stalemate. Page 3

Bougainville crisis

The South Pacific island of Bougainville, whose large, Australian-run copper and gold mine has been closed since May, was in rebel hands after Papua New Guinea troops withdrew. Page 4

12 lost in air crash

Twelve people were feared killed when a helicopter ferrying international airline passengers crashed in the sea off the Sierra Leone capital of Freetown.

Vatican ruling

Men and women studying to be priests or nuns should not be allowed to take their final vows if they cannot control sexual urges, the Vatican said.

Smoke-free zone

Cigarette advertisements could disappear in the 12-nation European Community if the European Parliament wins a battle to impose a stricter ban than the Commission proposes.

Business Summary

UK suffers deficit on invisibles in last quarter

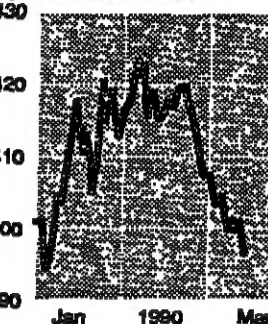
Britain's traditional surplus in invisible trade turned into a \$713m (\$1.14bn) seasonally adjusted deficit in the final quarter of last year, cutting the invisible surplus to \$2.26bn for the year from \$5.8bn in 1989.

The third quarter surplus was revised down to \$51m from a previously reported \$204m. Page 18

MARKETS: Gold prices retreated well below the psychologically important \$400-a-ounce level, principally in response to the strong per-

Gold price

\$ per ounce in London



formance of the dollar. Commodities, Page 30. The mood was brighter in the Continent and volume improved in Frankfurt and Paris, although trading remained thin in most other bourses. Back page, section II

JAPAN'S trade surplus totalled \$5bn last month, compared with \$7.23bn in February 1989. This was the 10th monthly decline in a row. Page 4

EUROPEAN Community states should aim for a total monetary union with a single currency but without any hindering, centrally imposed rules on their economic and fiscal policies, says a paper discussed in the EC. Page 18

HUNGARY'S lack of an effective government is exacerbating the country's economic crisis, senior officials in Budapest warned. Page 2

SOUTH KOREA economy will start to recover from a prolonged slowdown in the second quarter of the year, according to the state Korea Development Bank. Page 4

INTEREST rates: Higher Japanese interest rates would not necessarily mean higher rates in the US, said John Laware, a Federal Reserve governor. Page 6

ITALTEL Telematica, subsidiary of Italy's state-owned telecommunications equipment maker, has reached agreement with Matsushita, Japanese electronics group, to produce a range of facsimile machines under licence. Page 5

HYUNDAI, one of South Korea's largest business groups, is to share in building a \$5bn petrochemical project in the Soviet Union. Page 5

US retail sales, which rose strongly in December and January, relaxed by nearly a full percentage point in February in seasonally adjusted terms, says the Commerce Department. Page 6

GRAND Metropolitan and Elders IXI, Australian owner of the UK Courage breweries, unveiled details of a complex exchange of assets and the creation of a joint venture to manage their combined tenanted pub interests. Page 19

AKER, Norway's biggest privately owned industrial group, said it had disposed of assets related to the offshore oil sector for Nkr980m (\$546m), making a profit on the deal of more than Nkr90m. Page 20

ALUSUISSE-LONZA Holding, Swiss aluminium and chemicals concern, boosted net profits by 47 per cent last year from Sfr217m (\$142.5m) to Sfr466m. Page 20

REFORM WILL CREATE NEW PRESIDENCY AND END THE COMMUNIST PARTY MONOPOLY ON POWER

Gorbachev's twin victory

By Quentin Peel in Moscow

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday won the resounding endorsement he needed to rewrite the Soviet constitution, creating a new executive presidency and abolishing the Communist Party's monopoly on Soviet power.

His twin victory opens the way for the immediate introduction of a multi-party system and a presidency independent of the Communist Party, which has dictated national life for the past 72 years.

At the same time, new laws on property and land have been incorporated in the constitution, allowing private property and ending the state monopoly on ownership, although still forbidding the buying and selling of land.

Mr Gorbachev won a clear two-thirds majority in the Congress of People's Deputies - the nation's new super-parliament - for all the measures, but only after making substantial concessions to radicals to balance presidential power with parliamentary controls.

The vote was greeted with spontaneous applause, but the Soviet leader could not see it himself on the electronic scoreboard. When he was told, he

said: "Thank you. I congratulate the Congress." The move clears the way for Mr Gorbachev himself to take on the presidency, with sweeping powers to declare a state of emergency, initiate legislation and veto laws from the Supreme Soviet.

The first move which leading economists hope he will take is to accelerate economic reform, with rapid introduction of long-delayed price liberalisation and radical action to dismantle state industrial monopolies.

There is still a chance that he will be blocked today from immediate election by the Congress, with supporters of radical reform demanding that a direct presidential election be held throughout the country.

A conservative group of deputies, Soyuz (Union), proposed Mr Nikolai Ryshkov, the Prime Minister, and Mr Vadim Bakatin, the Interior Minister, as alternative candidates but neither is thought likely to allow his name to go forward.

The key change in the institution of the presidency is that it transfers power in the Soviet Union from the Communist Party itself to an elected head of

state, spelling an end to party power. That was recognised in the ease with which the Communist-dominated Congress - some 85 per cent of its deputies are party members - cancelled Articles 6 and 7 of the constitution, which had enshrined its monopoly rule.

An attempt to remove all reference to the Communist Party from the constitution won a majority of votes in the Congress - 1,067 to 906 - but fell short of the two-thirds (1,497 votes) needed to change the constitution. Another radical move, to bar the president from holding any Communist Party post, also won a majority - 1,303 to 607 - but too small to become mandatory.

The two-thirds majority needed for the whole package of constitutional reforms was in doubt until the last minute, when the concessions on the presidency were spelt out. They mean that the future Soviet president will be able to veto legislation, but can be overruled by a two-thirds vote in each chamber of the bicameral Supreme Soviet. He will no longer have a right of appeal to the Congress.

On declaring a state of emergency, the president can do so with the con-

sent of the republic or republics affected. If that proves impossible he must issue a warning that such a move is being considered.

In an important concession to the republics, it was agreed that the president can only declare a state of emergency without their consent if he immediately summons the national Supreme Soviet and has the move endorsed by a two-thirds majority.

As for presidential rule by decree, Mr Gorbachev has agreed that this can only be done on the basis of existing laws, and must be consistent with the constitution.

The presidency was approved in principle by 1,817 votes to 133, with 61 abstentions, while the full package of constitutional reforms went through by 1,771 votes to 184, with 74 abstentions.

The changes in property and land clauses of the constitution, which would allow foreign property and "individual" ownership, aroused no controversy, although economists have criticised the continuing ideological objections to "private property." Farm land can be bequeathed, but not sold. Lithuanian move "illegal." Page 18

Israeli government collapses after peace process row

By Hugh Carnegie in Jerusalem

ISRAEL'S coalition Government collapsed yesterday when sharp differences between the Likud and Labour parties over US proposals for Israeli-Palestinian peace talks finally came to a head.

Mr Yitzhak Shamir, Prime Minister and leader of Likud, ended days of speculation over the future of the coalition when he told a Cabinet meeting he was dismissing Mr Shimon Peres, the Finance Minister, vice-premier and Labour leader. The 31 other Labour ministers in the Government then resigned, ending 15 months of often fraught partnership.

Last night the two sides were engaged in intense activity to secure support from the religious parties, which hold the balance of power, ahead of a parliamentary test likely to determine if either main party can quickly form a narrowly-based government. The test will come in no-confidence motions set for tomorrow, or possibly today.

The split was precipitated by Likud's refusal to accept a proposal by Mr James Baker, US Secretary of State, that Israeli and Palestinian delegations meet in Cairo to discuss holding elections in the West Bank and Gaza Strip which are intended to lead to an interim settlement in the Occupied Territories.

Labour insisted that Likud accept Mr Baker's terms as



Shimon Peres (left), who was sacked as Israel's Deputy Prime Minister yesterday, with fellow Labour Party member Yitzhak Rabin, who resigned as Defence Minister

they stood, but Mr Shamir held out for further assurances that the Palestine Liberation Organisation and Arab residents of Jerusalem would play no part in the process. Labour was preparing to bring down the coalition later this week if Mr Shamir did not budge when the Prime Minister decided to act.

His position hardened in recent days following statements by Mr George Bush, the US President, and Mr Baker, underlining US rejection of Israeli annexation and settlement of Arab areas of Jerusa-

lem as well as the occupation of the West Bank and Gaza.

Yesterday Mr Bush told a news conference in Washington he had no regrets over his remarks.

Mr Shamir repeatedly stressed this week that Washington's involvement of the PLO in the peace efforts and its position on Jerusalem were unacceptable.

Mr Shamir took the initiative yesterday to try to preempt Labour in the ensuing highly complex struggle for power. This may well take

some time to resolve.

Mr Shamir continued to hold out the possibility yesterday of a revival of the coalition, but privately he is seeking to continue in office at the head of Likud-led narrow government of the right.

Mr Peres is seeking the support of otherwise ideologically alien, religious party members to establish a Labour-led administration which could pursue the peace talks proposal.

All depends on the acutely balanced mathematics of the

Knesset. In the 120-seat parliament, Mr Shamir can count on at least 56 votes, including 40 from Likud. Mr Peres can probably be sure of 54, including 29 Labour members. The fight is over the remaining 10, most of them from the religious parties.

If neither side can secure a majority, then a general election may be the outcome - although some seasoned observers have refused to rule out absolutely a Likud-Labour rapprochement.

● Palestinian leader Salah Khalaf said he expected Israel to move to the right after the break-up of its government.

"Israel will move towards the hardest solution, the hardest choice and the choice of war," Mr Khalaf, a leading member of PLO chairman Yasser Arafat's Fatah guerrilla movement, widely known as Abu Iyad, said in an interview with Swiss Radio. "It will not be content to reject the peace process but will go back to thinking of... annexing the West Bank." He said Prime Minister Yitzhak Shamir could hang on to power.

● Arab commentators were pessimistic over the future of the peace talks after the collapse. "This is a great setback for the peace process and I believe Israel has killed its own peace plan," said Bethlehem's Palestinian Mayor Elias Freij. Background, Page 4; Editorial comment, Page 16

DG bank vice chairman quits over bond transactions row

By Katharine Campbell in Frankfurt

THE DG Bank row involving disputed bond transactions with nine French banks claimed its first board member victim yesterday with the resignation of the vice chairman and director of securities, Mr Karl-Herbert Schneider-Gädick, 58, vice chairman and director in charge of securities business, said he was assuming "political responsibility" for the disputed securities transactions and was resigning immediately as his contribution to limiting further damage of the bank's reputation.

Mr Schneider-Gädick has served on the board for 18 years, since 1988 as one of two vice chairmen. His departure underlines the extent to which the bank's image has already suffered, even if recriminations go no further.

Deutsche Genossenschaftsbank, the umbrella organisation for West Germany's co-operative banks, has been embroiled in a dispute with nine French banks over some DM5bn (\$3.5bn) worth of

bond transactions.

While the French say that DG undertook to repurchase the securities - now worth considerably less because of the sharp drop in the German bond market - DG has maintained that the trader who entered into these agreements only did so orally and was, in addition, acting outside his authority, effectively making any undertakings invalid.

After the French threatened to sue DG last week secured the position, while leaving the way open for possible compensation within the next twelve months.

Mr Schneider-Gädick stressed yesterday that he neither "knew, nor could have known" about the alleged repurchase agreements at the centre of the dispute.

This refers to the oral nature of the agreements entered into by the now dismissed chief bond trader, Mr Friedrich Stell. The lack of written evidence is precisely the grounds on which the bank is contesting the French claims.

While the exact details of the

dispute remain distinctly murky, the whole affair has thrown up basic questions as to the quality of internal controls at DG.

The securities trading arm has grown rapidly in the past few years, as the bank has expanded its profile domestically and internationally.

Two of the major participants in that expansion have now gone.

Mr Helmut Guthardt, DG Bank chairman, said in a recent magazine interview that there was no question of his resignation while the full truth of what really happened was not yet available.

Last week the bank settled the disputed deals, while at the same time retaining its legal rights for compensation over the next year.

Mr Stell, meanwhile, who is the subject of a criminal investigation, is contesting his dismissal from DG in court. Investigated at the end of the 1970s in an equity-related scandal, he was dismissed by the bank, but reinstated after the case against him was dropped.

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State of mind of Mr Hawke's

Intelligent Australian voter



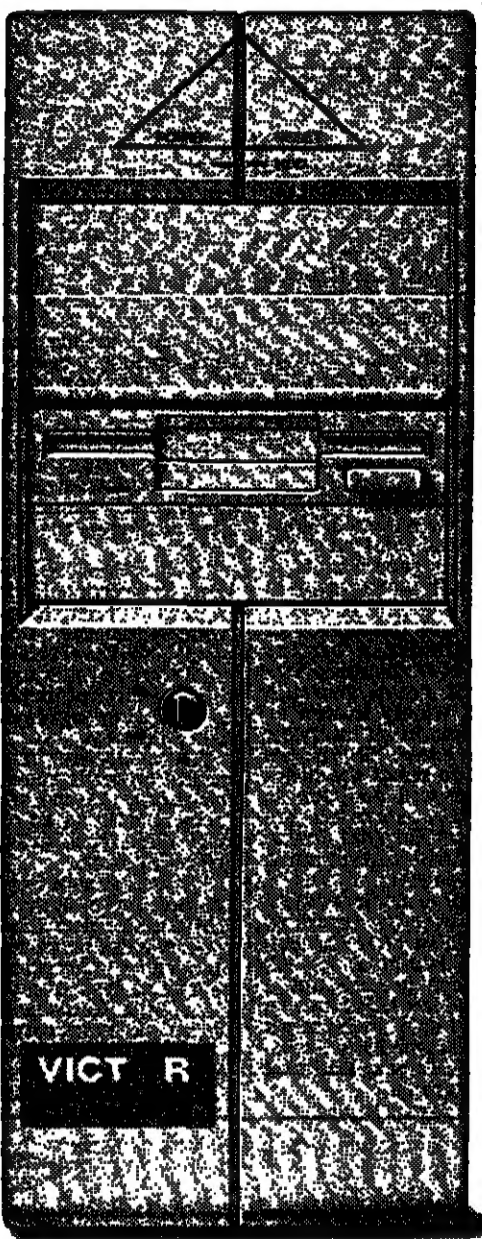
Bob Hawke is seeking his fourth term as Prime Minister. Whether he is re-elected is likely to depend, in part, on the influence of state issues. Page 4

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York : close \$1.60115 (1.6115)	New York close DM1.7178 (1.7137)	FT-SE 100 2,224.5 (+1.7)
London: \$1.6005 (1.611)	FF5.8070 (5.7925)	FT Ordinary: 1,755.6 (+3.8)
DM2.7475 (2.755)	FF1.5275 (1.5265)	FT All-Share: 1,108.27 (+0.1%)
FF9.2900 (9.315)	Y152.45 (152.675)	New York close Djv. Ind. Av. 2,673.87 (-12.84)
SFR2.4450 (2.4525)	London: DM1.716 (1.71)	S&P Comp 336.14 (-2.53)
Y244 (245.5)	FF5.805 (5.7825)	Stocks: Nikkei 32,620.57 (-747.6)
£ index 95.2 (95.3)	SFR1.5275 (1.5235)	LONDON MONEY
	Y152.5 (152.35)	3-month interbank closing 15 1/2% (same)
	S index 95.8 (95.5)	Life long gilt future June 81 1/2 (82 1/2)
	Tokyo close : Y152.67	
GOLD	US closing rates	
New York: Comex Apr \$400.7 (401.1)	Fed Funds 8 1/4% (8 1/4)	
London: \$398.25 (401)	3-m Treasury Bill: closing 8.24% (8.23)	
IN SEA OIL (Argus)	Long Bond: 97 1/2 (98 1/2)	
Brent 15-day Apr \$18.65 (18.525)	yield: 8.03% (8.01)	
Chief price changes yesterday: Page 19		

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Finnish call for review of treaty with Moscow

By Enrique Tessieri in Helsinki

MR KALEVI SORSA, the Social Democratic Speaker of the Finnish parliament, has become the first high-ranking politician to suggest willingness to change the 41-year-old treaty with the Soviet Union.

The veteran politician, who is expected to be Finland's next president, said alterations to the Friendship Co-operation and Mutual Assistance (FCMA) would be possible only if both Finland and the Soviet Union considered it appropriate.

A key article in the treaty says that both Finland and the Soviet Union must come to each other's military rescue if attacked "by Germany or any state allied with the latter."

The treaty is considered to be a pillar for friendly relations between both countries, as well as an obstacle for Finland's full political integration with western Europe.

Mr Sorsa said in a newspaper interview: "The USSR and West Germany are opening up to wider co-operation between each other."

For this reason, since the creation of the FCMA centres on an armed attack from Germany, one asks for how long this will continue to be a cen-

tral factor."

The veteran Social Democrat politician also felt that for the FCMA to continue to have validity, the treaty would have to be able to stay abreast of the political events presently overtaking Europe, especially when the reunification of the two Germanies came to mind.

"Otherwise it (the contents within the FCMA) will turn into litany," he said. But he felt that there was no rush in changing the contents for the time being.

Debate on the antiquated FCMA treaty picked up last month when Dr Risto Penttilä, a researcher in international relations, suggested that the FCMA should be replaced by a new accord, which would stipulate that Finland would defend itself from all outside aggression.

Dr Penttilä also said that most likely Finland would be the only country in Europe in the next century that would continue to have a treaty with the Soviet Union that was straight from the cold-war era. Finland and the Soviet Union renewed the FCMA treaty in 1983 for a further 20 years.

German monetary experts meet to head off chaos

EAST AND WEST German monetary experts met yesterday to discuss merging the two countries' currencies in an effort to prevent economic chaos in the event of unification, according to reports from East Berlin.

The two sides met for the last round of talks before East Germany's elections next Sunday. Mr Horst Koehler, a state secretary in West Germany's Finance Ministry, and finance expert Walter Romburg, a minister in the caretaker government of Communist Premier Hans Modrow, headed the talks.

The two sides have met twice before in Bonn and East Berlin, to discuss forming a monetary union, but no decisions on the move are expected to be finalized until after the East German elections.

In East Berlin, five days before East Germany's first free election, West German Chancellor Helmut Kohl promised East Germans a one-for-one swap of their personal savings into powerful Deutschmarks.

Mr Helmut Haussmann, the West German Economics Minister, also said yesterday that his country favoured a one-for-one exchange rate for East German savings when the two Germanys forge currency union.

"We believe that we can't make the East German people worse off with their savings. This means a one-for-one conversion," he said at the Leipzig trade fair.

Mr Haussmann declined to say when the currency union, under discussion by an inter-German commission in East Berlin on Tuesday, might be achieved. East Germany's state bank had insisted on a one-for-one exchange rate between the East and West German marks.

Mr Haussmann's remark, the first confirmation that Bonn would back a one-for-one exchange rate, is certain to be welcomed by East Germans who had feared their savings could be wiped out by a rate closer to the black market exchange rate of about four-to-one.

According to official estimates, there is about 170bn East German Marks (DM) in private accounts in the country. Haussmann did not specify whether a proportion of individuals' savings might be frozen for a time.

The East German minister without portfolio, Mr Walter Romburg, told journalists before yesterday's third meeting of the inter-German commission on economic union that he expected an interim report would be ready by the end of the day.

"We have carried out good preparatory work so that the newly elected government can take very concrete steps in the very near future," said Romburg, head of the East German delegation.

Party leader Ibrahim Bohme has said he wants the West German Mark introduced by July 1 to stop currency speculation undermining the East German economy.

Mr Lothar de Maiziere, head of the Christian Democrats (CDU) - one of three parties in a conservative alliance which the polls put close behind the SPD-led currency union would.

East Germany's communist Prime Minister Hans Modrow told voters they would have to fight to keep their right to housing, health care and jobs if free-market forces won on March 18, and a strong left was the best weapon.

Helping East Germany up from its knees

Restoring exhausted infrastructure is a generation's work, writes Katharine Campbell

SURFACING at Stadtmitt U-Bahn station in East Berlin, one is confronted with the ghost of a town centre. On two of the street corners are deserted building sites, and in front of the opulent boutiques on the other two is an unpaved walkway.

On the skyline, rows of dreary apartment blocks, dilapidated after just a year or two, crowd in on the attempts to revitalise the museum of spent socialism.

And yet, as an East Berlin resident rightly remarks, this is "gold" compared with the rest of the country.

Restoring the exhausted infrastructure of East Germany is the work of a generation - to be fitted into the space of five years or less. The chance is there to rebuild with the latest technology; to privatise more speedily than the west.

But the imperative to create an environment where business can be done could lead to an unorderly development and major dislocations over the near term.

Estimates of the cost - in ever increasing round hundreds of billions of D-Marks - are so divergent as to be practically meaningless.

Figures of DM2,000bn (\$1.176bn) doing the rounds among London dealers caused West German bond prices to plunge until more sober reassessments restored some calm to the market.

Bonn and regional govern-

ments have already embarked on some pilot projects, but the bulk of funds must come from private western capital.

Mr Erwin Rohde, an economist at the University of East Berlin, thinks a home-grown solution could achieve some benefits.

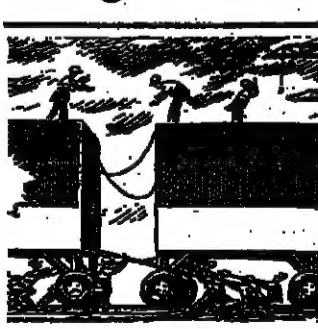
His proposed infrastructure fund would channel resources from sales of East German enterprises directly into rescuing the crumbling health care system, rebuilding the railways and so on.

One basic task among many is to restore living conditions - the government in West Berlin, for instance, has been quick to see that spending money on shoring up accommodation in the east is more sensible than trying to accommodate floods of East Berliners crossing the border.

The previous East German regime may have erected 2m new housing units in the last 20 years, but this was achieved by building ranks of skyscrapers on the edges of conurbations - neglecting the rotting and polluted town centres, passing over the scars of war damage.

The materials available were so poor that even the new buildings began decaying almost immediately.

The two German governments have now begun a high profile project to restore five particularly dilapidated, but strategically and culturally important towns, including Weimar and Brandenburg.



ROAD TO UNITY

The reintroduction of market realities will be a political nightmare. Horrified by the rush of West Germans claiming title to land they inhabited before the war, East Germans are even more anxious about massive rent increases. They currently pay about 90 pfennigs per square metre a month, representing less than 5 per cent of their salaries.

Nor has anyone yet come to grips with the planning dimension: citizens are rightly critical of the soulless perfection of many rebuilt West German cities; they fear too the devastation of unspoiled northern coastline by hasty tourist developments.

If their housing conditions are poor, the East German workplace is considerably worse. Capital stock is supposed to have grown about 3.5 per cent in the last four years, but the evidence is not there. Outmoded processes contribute to productivity somewhere

below half that of the west.

A freer press is now revealing just how prevalent industrial accidents are. The only biological water purification plant in the country (at a chemical works) monitors its effectiveness with supplies: if the fish are alive after 24 hours, the water is deemed pure.

Many operations will simply have to be closed, as the crippling old imperative of self-sufficiency disappears. Factories set up simply to employ the wives (88 per cent of East German women work) of, say, steelworkers, will not survive.

Compared with other countries in the Common trading bloc, East German workers are well-trained - but clearly not in up-to-date techniques. Still, as Mr Norbert Walter of Deutsche Bank points out, the number of apprentices in the west has fallen dramatically with the drop in the birth rate leaving spare capacity for retraining East German workers.

Meanwhile, the emergence of East Germany - and the rest of the east bloc - completely reshapes the map in transport terms. Berlin will regain its former geographic importance, but only at vast cost. At present, only a third of the Reichsbahn is electrified, and limps along, punctuated, at a fraction of the speed of its western counterpart.

In environmental terms, however, the railway is preferable to the roads. The two railways have set up a working

party to discuss creating a single system. Before then, high speed links between major cities east and west are slated for early this summer.

A new airport is urgently needed - Tegel, in the centre of West Berlin, cannot be expanded much further. Locations south of Berlin are being explored, but it will take a minimum of 10 years before anything is operational.

Nor is the telephone currently a solution for bridging distances. The deliberate isolation of the country has meant it is almost impossible to call East Berlin from just across the border. Internally, connections are between atrocious and non-existent; faxes are virtually unknown.

But telecommunications is one area where the country can modernise relatively quickly.

Siemens and Standard Elektrik Lorenz are falling over themselves to compete for contracts to develop digital switching equipment. Mobile telephones are likely to be in wider use quickly.

Other utilities fall well below western standards. Both the electricity and water systems need total overhaul.

Companies in the midst of the "gold rush" east are well aware of the irony that investments (including those in the basic amenities themselves) are only profitable if the infrastructure can support the new ventures.

Hungarian economy 'out of control'

By John Lloyd, Judy Dempsey and Nicholas Denton in Budapest

THE LACK of an effective government in Hungary is exacerbating the country's economic crisis, senior officials in Budapest are warning.

The hiatus in government has occurred in the run-up to the country's first free election for over 40 years, in 11 days' time, and it may last for months before a central authority can be reconstituted.

Mr Lajos Bokros, a board member of the National Bank of Hungary, says that "there is no longer any control over the management of the economy. If we want to meet our obligations to the International Monetary Fund, decisions must be taken."

Dr László Antal, an economic adviser to the Government, said: "The party-state system has disintegrated. There is no mass basis for the Government and it is itself divided, therefore it is not decisive."

Mr Antal said the Government had backed away from hard economic decisions - especially on allowing loss-making enterprises to go bankrupt, and on cutting subsidies.

According to both Dr Antal and Mr Bokros, this has meant a huge growth in inter-company indebtedness amounting to 180bn (32bn), as enterprises simply write promissory notes which are then used as currency.

This government paralysis has coincided with a rapid worsening of trade with the Soviet Union, Hungary's main trading partner.

The Government expects to learn today whether it will receive a stand-by credit of between \$300m-\$500m from the IMF - a decision which would in turn release a further \$1bn loan from the European Community.

However, a decision by the Government to cut subsidies to mortgage owners, demanded by the IMF, may also today be set aside by the Constitutional Court, precipitating an economic crisis if the IMF will hold its payment.

Meanwhile, there is disagreement over privatisation between the major parties, which may make the formation of a coalition difficult.

The disagreement, mainly between the Free Democrats and the Democratic Forum, focuses on whether the privatisation process should be controlled or pushed through quickly to achieve a market system as rapidly as possible.

Mr Peter Bod, economic adviser to the Forum, said that the government's "irresponsible" privatisation, allowing managers to sell or take over state assets, had to be replaced by controlled privatisation

through the State Property Institute. This body will hold the legal title of state assets and arrange for their privatisation.

But Mr Karoly Soos, an adviser to the Free Democrats, a parliamentary candidate and a possible contender for the post of Economics Minister, asked: "Can the government get a better deal than spontaneous privatisation? Of course there will be some corruption in this, but you cannot stop it, however you do it. The main thing is, it must be done quickly."

"I would take the economic ministry if we had agreement on measures which says he would push for an austerity programme to be unveiled on January 1 1991 - that would include a cut in all subsidies, then after that, the Government could decide who needed assistance."

Mandela wants more pressure on S Africa

By Robert Taylor in Stockholm

MR NELSON MANDELA called for an intensification of sanctions against South Africa and a break of diplomatic ties with the country yesterday during his visit to Sweden.

The 71-year-old leader of the African National Congress told a news conference that "nothing" had yet changed in South Africa, adding that "all the pillars of the apartheid system are still in place."

He did not elaborate on his call for a break in diplomatic relations with the country.

In a speech to the Swedish Parliament, however, he declared that he wanted to see a "political solution through negotiations" in South Africa but added how quickly that could come about depended on the white regime there. "I have a vision of South Africa as a united, democratic country which has no discrimination, no racism and is not involved in any military alliances."

He said it would be up to the ANC's executive to decide whether or not he should meet the Mrs Margaret Thatcher, the UK Prime Minister in Britain next month.

In other words, Mr Mandela displayed a diplomatic finesse in giving nothing away. While he refused to comment on the influence on the ANC of the South African Communist party saying there "should be no indulgence in witch-hunt," he emphasised his continuing support for the nationalisation of industry in an ANC South Africa as laid down in its 1955 freedom charter.

"Political rights are meaningless if there is no economic empowerment of the people," Mr Mandela said. "Economic liberation must go hand in hand with political liberation. Wealth has to be shared equally among citizens and nationalisation is a method to rectify economic imbalance."

Mr Mandela claimed that three quarters of the white voters in South Africa were "ready for change". He added that the ANC today was "in a position of unprecedented strength" in South Africa.



African street sellers in Florence are threatened by men armed with a chain and an iron bar

Mayor of Florence resigns as row over immigration flares

By John Wyles in Rome

MR Giorgio Morales yesterday became the first victim of racial politics in Italy when he resigned as mayor of Florence after three weeks of rising controversy over immigrants.

His downfall, and that of his entire administration, was provoked by the Communist Party which, with the Social Democrats, was a coalition partner in the city government. The Communists decided on Monday to table an attack during carnival celebrations on three north Africans by a gang of Italian youths.

This was followed by the distribution of inflammatory racist leaflets bearing Nazi insignia and other attacks on

clear out unlicensed street hawkers, mostly Somalis and Senegalese, and to enforce the new immigration law recently passed by parliament. This requires the estimated 700,000 to 800,000 illegal immigrants in Italy to register with the authorities by the end of April or face expulsion.

The extraordinary police crackdown follows three weeks of growing tensions in Florence which began with an attack during carnival celebrations on three north Africans by a gang of Italian youths.

This was followed by the distribution of inflammatory racist leaflets bearing Nazi insignia and other attacks on

immigrants, of whom there may be around 10,000 in Florence.

Initially, Mr Morales tended to play down the significance of these phenomena and then seemed to over-react to newspaper headlines depicting his city as a pit of racial antagonism.

The Communist move against him was done with more than half an eye on local government elections in May. In breathtaking displays of opportunism, both the local Socialist and Liberal parties have this week included immigrants on their lists of candidates for these elections.

E German calls for state group bail out

INDEBTED East German state companies will have to be bailed out so they can start with a clean balance sheet after German unification, the head of East Germany's leading electronics group said yesterday. Reuter reports from Leipzig.

"My idea is that with a revaluation of the economy the debt burden is set at zero," Friedrich Wokurka, chief executive of Dresden-based Robotron, said in an interview at the international Leipzig Trade Fair.

Robotron, which makes typewriters, personal and mainframe computers and other electronic hardware, will transform itself on July 1 into a holding company with its 21 subsidiaries, as limited liability companies.

West German officials say that rapid currency parity could bankrupt East German companies and cause mass unemployment. "The alternative is to switch to zero debts and to build up state revenues from scratch," Wokurka said.

The companies, yet to adopt western accounting standards, were previously provided credits by East Germany's state banks.

Western banks, keen to lend to East German companies for the first time, say it is impossible to judge the companies' creditworthiness.

EUROPEAN NEWS

Greece heads for another election stalemate

By Kerin Hope in Athens

GREECE'S third election campaign in 10 months has kicked off in unusually subdued style with the three party leaders holding a televised debate on foreign policy in the capital's television studios.

If the all-party government that resulted from last November's inconclusive election achieved little else, it established a mood of consensus which came as a welcome change after years of outpouring of anger between Greek political leaders.

However, serious problems were neglected: the economy, burdened last year with a record budget deficit approaching Dr2,000bn (87.5bn) and an inflation rate almost three times the European Community average, is now heading for a crisis, according to

reports by the Organisation for Economic Co-operation and Development and the International Monetary Fund.

The current account deficit, which reached \$2.5bn last year, is forecast to grow rapidly, while foreign borrowing in 1990 may rise to \$3bn.

The coalition Prime Minister, Mr Karamanlis, an 85-year-old former central bank governor, found that his warnings of trouble ahead were ignored by the party leaders, who seemed determined to avoid any measure that might damage their chances in the April 8 poll.

"I warned them about the balance of payments gap, but they gave it no significance... They observed that they were not disposed to accept new taxes," Mr Karamanlis said. "The new government will have to take drastic mea-

sures immediately. We are in for a period of austerity."

Mr Karamanlis did manage to push through a long overdue tax reform bill, together with measures to privatise or close the 40-odd ailing industrial companies whose debts to the state amount to Dr250bn.

The "secularised" government's inactivity has left businessmen and younger politicians with a sense of frustration over a lost opportunity for reform, which is aggravated by the rapid pace of change in eastern Europe. The feeling that Greece is marking time was reinforced by Parliament's failure earlier this month to elect a new head of state.

But at present, the most likely election outcome seems to be another coalition government.

The conservative leader, Mr

Constantine Mitsotakis, hopes that his New Democracy party can win the three extra seats needed for a parliamentary majority. But under an electoral law passed by the former Socialist government with the aim of keeping the conservatives out of power, New Democracy will be lucky to pull off victory.

If the Pasok party of the former Prime Minister, Mr Andreas Papandreu, and the Communist-led Left Alliance agree to join forces in the five crucial single-seat constituencies, the conservatives' chances will recede considerably.

Although investigations are proceeding into parliamentary charges that Mr Papandreu ordered illegal phone-taps and accepted bribes in the \$200m Bank of Crete scandal, the former premier is holding his own

in the polls. Pasok is building a gentler, Social Democrat image, while Mr Papandreu has managed to postpone a party congress where his leadership could be challenged.

The Left Alliance under the veteran Communist leader, Mr Harilaos Florakis, is showing signs of wear and tear, though its problems are as much the result of the collapse of Communism in eastern Europe as of joining up with the conservatives in the June and November governments.

The only political group with real real enthusiasm for yet another election are the Ecologists, a motley Green alliance which elected one deputy in November. If the early polls turn out to be correct, they could double their vote and possibly hold the balance of power in a hung parliament.

EC takeover directive 'damaging to UK mergers'

By Robert Rice

THE draft European takeover directive is in danger of requiring the UK to convert its takeover panel's non-statutory system into a system of regulation through the courts. This would have damaging consequences for the UK takeover scene, Mr Anthony Beevor, former director general of the Panel on Takeovers and Mergers, said yesterday.

Speaking at the Financial Times Conference on Competition, Mergers, Acquisitions and Alliances in Europe, Mr Beevor said this would significantly undermine the facility for prior consultation and rapid determination of disputes which are features of the present UK system and which have considerable advantages both to companies involved in a bid and their advisers.

It would also expose the UK takeover system to the sort of tactical litigation which is used as a defensive ploy in countries such as the US and Australia. In the interests of shareholders it was something which should be avoided if at all possible, he said.

Referring to the recent allegation that lawyers are now dominating the takeover scene, Mr Beevor said: "Merchant bankers and not lawyers remain the principal link between the Takeover Panel and the parties to a bid. The panel would like to keep it that way," he said.

Lawyers may accompany merchant bankers to meetings with the panel but the case is nearly always put by the bank. He advised against parties being legally represented before the panel in normal cases. The code was a practical instrument which had been written in co-operation with merchant bankers. Only those with very close knowledge of it and considerable experience of how takeovers work in practice should attempt to lead a case before the panel.

The recent increase in the involvement in UK takeovers of overseas regulatory authorities was an inevitable consequence of the multi-national nature of many UK target companies.

There has also been concern over the inevitability of a clash between panel rules and US SEC rules on the manner in which takeovers can be made.

This arose in Ford's bid for Jaguar and was resolved through discussion and direct liaison between the two bodies. Mr Beevor said he hoped this experience would lead to the evolution of guidelines for similar cases in future.

Mr Peter Stormont Darling, chairman of Mercury Asset management group, rejected accusations that institutional fund managers were guilty of "short termism" in relation to takeovers.

Allegations that fund managers are too ready to accept hostile takeover bids thereby neglecting the long-term interests of industry, and that they switch their clients' investment too frequently on the basis of short term considerations, increasing the volatility of share prices are based on misconceptions of fund managers' role and their duty to their clients. Fund managers owe an overriding duty to their clients, he said. They do not have a

'If Europe does not significantly improve its mergers and acquisitions environment it would be impossible to remain competitive'

duty to secure the long term position of managements of the companies in whose shares they invest their clients' funds.

He also rejected the allegation that companies postpone necessary or desirable investment because of switching activities of fund managers. Stock markets prefer companies with long term strategies, he said. If companies do try to boost short term profits and fail to invest for the long term, they will soon be caught out by analysts, their shares will go down, and they will make themselves even more vulnerable to takeover.

Mr Martin Waldenström, president of Booz Allen Acquisition Services, said his company's recent survey for the European Commission of barriers to takeovers across Europe had revealed a significant need for industrial restructuring in order for European industry to remain competitive world-wide after 1992.

If Europe did not significantly improve its mergers and acquisitions environment it would be impossible in certain industries, particularly services, to remain competitive with Japan and the US, he warned.

There are, too, industrial models operating within Europe. The Anglo-Saxon model - common to the UK and the US, under which there was constant monitoring of management performance, protection for minority shareholders, and efficient resource allocation, - and the continental model - common to Germany and Japan where management are given a long-term mandate and there is stable and knowledgeable ownership of industry, close ties with the banks and a clear industrial growth strategy.

Europe needed a model which combined the best of both, he said. It should be dominated by seven principles: ownership democracy - 51 per cent should rule; periodic reinforcement of control restrictions over such things as pre-emptive rights; no institutional self-control; equal opportunities for shareholders; mutual transparency under which all shareholders account to each other; no internal EC discrimination; and a common front to non-EC companies.

This last principle did not mean "Fortress Europe". On the contrary the idea was to open up the market for Europe and not to discriminate against others more than they do in their market, he said.

Mr Yusuo Yamamoto, general manager of the Long Term Credit Bank of Japan, said the relatively small number of Japanese acquisitions in Europe so far was largely due to their greater interest in the US - their primary overseas market.

Their focus will now turn increasingly to Europe, however. The internal market programmes and event in Eastern Europe provide a significant catalyst for further Japanese investment. In order to maintain access to the European market as well as to increase current market shares Japanese companies will undoubtedly make increasing investments in production orientated operations, he said.

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More power urged for Strasbourg

By Lucy Kellaway in Strasbourg

IMPORTANT powers for the European Parliament and a general move towards a federal Europe are called for in a report to be discussed by the Strasbourg assembly today.

This report, prepared by Mr David Martin, the Scottish Socialist MEP, would give Parliament greater scope to block European legislation and would give it joint power with the European Commission to initiate proposals.

It would also allow MEPs a say in the choice of commissioners and of judges in the Court of Justice and give Parliament the power to ratify all constitutional decisions.

The thrust of the report will be warmly welcomed by MEPs, who are likely to approve it with an amendment that would strengthen it still further. This would give Parliament power to elect the President of the Commission.

Many of the ideas tally with those of Mr Jacques Delors, Commission President, who has argued that greater power is urgently needed for European institutions to cope with the pressures of European

Monetary Union and a future enlargement of the EC. He would like the question of institutional reform to be discussed in parallel with the inter-governmental conference on monetary union to be held at the end of the year.

Mr Martin's report makes clear Parliament's wish to be included at the conference, which it agrees should discuss both themes.

It also recommends that the Commission be given greater executive powers and that the decision-making by member states should be speeded up, by making all decisions subject to a majority vote.

The discussion comes at a time when the Parliament is increasingly aware about its lack of its powers and the tendency of the Commission to ignore its wishes. Mr Delors yesterday met the leaders of the main political groups in the Parliament, in an attempt to fend off their threat to slow down legislation on single-market matters unless more progress is made on the social side of 1992.

MPs seek tobacco adverts ban

By Lucy Kellaway in Strasbourg

THE European Parliament is likely to vote today for a complete ban on cigarette advertising throughout the Community, and for a ban on all sponsorship using tobacco trade marks.

The vote is expected in response to the tobacco advertising directive, which would restrict the content of advertisements to a simple display of the contents of the packaging. The Parliament regards this as far too weak and is preparing for a long fight to get it significantly strengthened.

Its views are likely to be met with sympathy by some Commission officials, although they recognise that such an amended directive would have almost no chance of getting past member states.

As it is many countries view the existing draft as too strong, with the UK in particular arguing that tobacco advertising is something better dealt with on a voluntary level by member states, and is beyond the competence of Brussels.

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OVERSEAS NEWS

Tokyo trade surplus falls for 10th month

By Stefan Wagstyl in Tokyo

JAPAN'S trade surplus fell last month, compared with February 1989, the 10th monthly decline in a row.

The trade surplus last month totalled \$5bn, down from \$7.2bn in February last year, according to figures published yesterday by the Ministry of Finance. Exports fell 1.9 per cent to \$21.5bn, while imports rose 11.9 per cent to \$16.5bn.

The bilateral surplus with the US fell sharply for the fifth month in succession to \$2.96bn from \$4.18bn in February last year. However, the report will do little to ease US-Japan economic tensions, since the rate of decline in Japan's overall and bilateral surplus is expected to slow in the near future.

Some economists believe surpluses will start growing again from mid-year, partly because imports for the past year have been boosted in dollar terms by a decline in the value of the yen and an increase in oil prices and partly because Japanese export companies are beginning to exploit the yen's decline to boost sales. Mr Kenneth Couria, chief economist at the securities arm of Deutsche Bank in Tokyo, said: "These are the best numbers we are going to see for some time."

Rising oil prices were the biggest factor behind the increase in imports. On a year-to-year basis imports of crude oil and mineral fuels jumped 24.5 per cent to \$4.136bn. Machinery and equipment imports, including aircraft from the US, were also sharply higher - at \$2.95bn, an increase of 36.9 per cent.

Exports of electrical machinery and equipment fell by more than 9 per cent, including sharp declines in exports of telecommunications equipment, semiconductors and video recorders. The reductions to some extent reflect increases in local production in the US and Europe and in export production by Japanese companies from other Asian countries.

Export sales of vehicles and transport equipment were virtually unchanged. Sales of non-electrical machinery rose 1.6 per cent in response to demand for industrial plant from Japanese and non-Japanese companies building and refurbishing factories, especially in Europe. Exports to the US in this category fell slightly.

Exports to the European Community rose by 1.6 per cent to \$3.25bn. Imports of 14.7 per cent to \$2.4bn, resulting in a decline in the Japanese bilateral surplus to \$1.85bn.

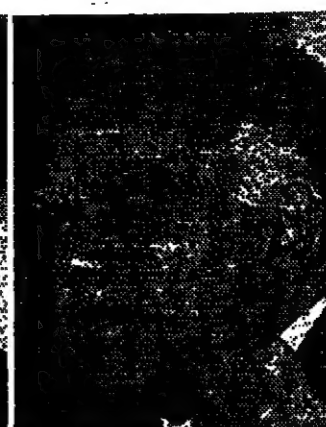
Divisions over Palestinian revolt sink coalition

Hugh Carnegie explains why Israel's prime minister yesterday dismissed the Labour party leader

WHEN Mr Yitzhak Shamir, the Israeli Prime Minister and leader of the Likud party, announced yesterday he was dismissing Mr Shimon Peres, the Finance Minister and Labour leader, he effectively acknowledged the coalition Government's internal divisions were so entrenched it was incapable of agreeing a policy on the central issue that faced it. This is the question of how to achieve a peace settlement in the occupied territories where a violent revolt by the Palestinian population against Israeli rule - the intifada - has raged for 27 months.



Yitzhak Shamir, Shimon Peres, Moshe Arens, and Yitzhak Shamir could not agree on a peace policy for the occupied territories



Mr Shamir's move, which prompted the resignation of all the Labour ministers, pre-empted a threat by Labour to scuttle the Government later this week over Likud's refusal to accept US proposals for the start of what would have been the first-ever direct Israeli-Palestinian peace talks.

In the next few days, weeks and perhaps even months, Likud and Labour, which respectively represent the right-wing, right-of-centre and left-of-centre streams of opinion in Israel, will circle each other like spitting cats in search of political advantage. Each will try to form a narrow coalition. A general election may be called. Such is the electoral stalemate between them that even a resumption of their coalition, which dates back beyond its most recent incarnation to 1984, is a possibility.

For the moment the prospect of progress towards peace in the region remains hostage to the political paralysis in Israel.

Of all the options, only a Labour-led narrow coalition, which would be extremely fragile, offers much chance of advance.

The very conception of the coalition in late 1988 was inauspicious. A general election in November of that year left Likud with 40 Knesset seats and Labour with 39. The remaining 21 were split between small right-wing, left-wing and religious parties. Mr Shamir for a while courted the four religious parties, evoking uproar particularly in the American Jewish community over the religious leaders' demands on a strict legal definition of "who is a Jew".

Finally, after seven weeks, he forged a deal with Labour, creating a new version of the so-called National Unity Government that had existed before the elections.

For Mr Shamir, it was a marriage of considerable convenience. Not only did it allow him to keep at bay powerful rivals to his right in Likud - notably Mr Ariel Sharon, the former Defence Minister. It also gave him a vital shield in the form of Labour against growing US pressure to yield on Likud's hardline commitment to maintaining a "Greater Israel", including the West Bank and Gaza Strip.

Only days before the coalition agreement was struck, Washington had opened a dialogue with the Palestine Liberation Organisation which itself was winning worldwide diplomatic gains through its newly-proclaimed acceptance of Israel's existence and its accompanying peace overtures.

Mr Peres was sceptical about the coalition with Likud, especially as, during the previous government Likud had accepted the so-called Jordanian option of peace talks with a joint Israeli-Palestinian delegation that for a while looked promising. But Mr Peres was unwilling, as he still is, to advocate instead talking to the PLO and so had no viable alternative to offer.

Crucially also, Mr Yitzhak Rabin, who remained as Defence Minister, enthusiastically backed the coalition. He believed progress towards peace could not be made by Labour acting alone - as shown by the demise of the Jordanian option. Moreover, he genuinely feared the consequences of a Likud Government in which Mr Sharon was restored to full influence and the defence portfolio.

In the event, Labour was not able to make much progress towards peace in harness with Likud either. Frodded by Mr Rabin and alarmed by a frosty reception accorded Mr Moshe Arens, the Likud Foreign Minister, during a visit to Washington, Mr Shamir pushed a joint Israeli-Palestinian self-rule - not independence

in the occupied territories during a visit he himself made to Washington in April last year.

The PLO and local Palestinians were not enthusiastic. But, urged on by the US and Egypt, they left open the door to accepting the Israeli initiative. But repeated efforts by Washington and Cairo to bridge the gap between the two sides were only rebuffed by Mr Shamir, convincing most Palestinians and many in the Labour camp that he had never been serious about the enterprise in the first place. "Poor Mr Baker," said a prominent West Bank leader about the US Secretary of State. "He has to try to persuade Mr Shamir to accept his own initiative."

Throughout, Labour puffed and blew, but, until this week, always avoiding leaving the coalition. Even Mr Rabin, who had been a vocal supporter of Mr Shamir's proposal to accept Mr Baker's proposal that the Palestinian delegation

to talks include deportees from the territories and Arab residents of Jerusalem, and that Jerusalem Arabs be allowed to vote in proposed elections in the territories.

Labour was prepared to countenance these minimum PLO conditions, despite Likud's claim that they constituted PLO involvement (which officially both parties reject) and a threat to Israeli control of Jerusalem. Yesterday, Mr Shamir was adamant that he could not accept these proposals.

Until the Likud-Labour stalemate is broken in some way, it is hard to see how the "peace process" can go forward. In these circumstances, there is rising concern among some Israelis over the consequences for their all-important relationship with the US, which has invested considerable effort in trying to get the process moving.

With events in Eastern Europe undermining some of the old certainties of Israel's position as a strategic partner of Washington, it was a shock recently for Israelis of any political stripe to hear President George Bush and Mr Baker publicly questioning levels of aid to Israel and, last week, Israel's control of Arab areas of Jerusalem captured during the 1967 six day war.

Given an economy in considerable difficulties, compounded by the challenge and cost of absorbing hundreds of thousands of Soviet Jewish immigrants, Israel can ill afford any reduction in either the political or economic backing it receives from Washington.

S Korean economic recovery forecast

By John Ridding in Seoul

THE South Korean economy will start to recover from a prolonged slowdown in the second quarter of the current year, according to a study released yesterday by the state Korea Development Bank.

But a report released simultaneously by the Industrial Bank of Korea presented a less optimistic picture of falling investment in small and medium-sized businesses. Officials are also expressing concern at the recent falls in the Japanese yen.

According to the KDB, the improved outlook is a result of a rise in new investments and an improved export performance caused by the depreciation of the South Korean currency, down by more than 2 per cent against the dollar since the beginning of the year. However, the KDB said economic growth would not achieve the double digit levels previously enjoyed by South Korea because of slowing domestic demand, and weaker international markets.

Last year, the South Korean economy grew by 6.5 per cent, almost half the increase in 1988. Combined with a rise in inflation, to an annual rate of about 7 per cent, it has prompted a concern about economic prospects.

The KDB study said the outlook was strongest in industrial electronics equipment and parts, high quality textile products and shipbuilding.

Singh pledges armed defence of Kashmir

By K.K. Sharma in New Delhi

MR V.P. SINGH, India's Prime Minister, yesterday intervened in a parliamentary debate to warn Pakistan against interfering in Kashmir, pointing out that India was "able and willing" to use military means to maintain the country's unity.

Acknowledging that Kashmir's troubles needed to be tackled mainly by administrative and political measures, Mr Singh also referred to "interference from across the border, covert and overt" and hoped that use of the military would not be necessary.

Although officials have given similar warnings to Pakistan in the past few weeks, this is the first time that the Indian Prime Minister has clearly referred to India's determination to give a "fitting reply" to any "misadventure that is attempted" in Kashmir.

"We have both the will and capacity to act," Mr Singh said, making it clear that India would do everything to maintain its integrity and adding that "this will not be without cost to Pakistan".

Mr Singh's statement was made during a dry-dog debate on the situation in Kashmir just as reports from Islamabad by the United News of India claimed that demand for secession was being increasingly supported by the people. Congress members clashed repeatedly with the Treasury benches when Mr Rajiv Gandhi's party was blamed for the state's current troubles.

Mr Fernandes is to lead an all-party committee to the state in an attempt to reassure people that the new government would make efforts to remove their complaints, including the neglect of the Kashmir economy and the growing unemployment there.

The committee is also to meet large numbers of Hindu migrants from Kashmir, many of whom are now in Jammu, the Hindu-majority part of the state. Attempts are to be made to restore their confidence in the government so that they return to their homes.



Singh: "will to act"

that Kashmir remained a part of India.

Members of all parties followed the lead of Mr George Fernandes, the newly-appointed Minister for Kashmir Affairs, and agreed that the situation in the state had altered dramatically in the past few months and that immediate remedial measures were needed "to win the hearts of the people".

While all parties acknowledged the demand for secession were being increasingly supported by the people, Congress members clashed repeatedly with the Treasury benches when Mr Rajiv Gandhi's party was blamed for the state's current troubles.

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Bougainville left to rebels as PNG troops pull out

THE South Pacific island of Bougainville was in rebel hands yesterday as Papua New Guinea government troops and police withdrew earlier than expected, a government official said. Reuter reports from Port Moresby.

Security forces were not scheduled to leave the island until Friday under a ceasefire agreed last month between the secessionist rebels and the government. The official said the troops had been expected to provide security for the 11-member international delegation monitoring the disarmament of the rebel Bougainville Republican Army. But delegation members arrived on Monday to discover all police had left and were just in time to see the final contingent of troops fly out.

Reporters said armed rebels guarded the observers' hotel to ensure their safety from unruly rebel supporters.

The Government said the early withdrawal of all security forces appeared to be in protest over the government's decision to accede to rebel demands and to pull out from the province to facilitate peace talks.

One hundred people have been killed and thousands left homeless on Bougainville, 800 kms east of Port Moresby, since the rebels started their campaign 15 months ago.

They are also demanding massive financial compensation from the Australian owners of the island's giant copper and gold mine for environmental damage.

Mr Sam Kauona, one of the rebel army's leaders, warned yesterday that Bougainville would have to be granted independence before the mine was reopened. In his first interview with foreign journalists since the fighting on the island began, he said demands for secession were not negotiable.

China bangs the ideology drum

By Peter Ellingsen in Peking

CHINA'S Central Committee is showing a touch of desperation and concern for the future in the run-up to the opening on March 20 of its annual session of the National People's Congress, its rubber-stamp parliament. Alarmed about Eastern Europe's defection from communism and its own collapsing economy, it decided yesterday to reinforce old-fashioned political indoctrination as its first priority.

Concluding its four-day sixth plenum, the central committee declared that all departments must improve party links with "the masses" as part of a scheme to see party cadres, not managers, wielding final control. While insisting China would maintain its open policy and try to expand economic output, a communiqué made clear a determination to crush political dissent.

China's breakdown in ideological work as a cause of party problems, the plenum set

a distinctively defensive and leftist tone for government policy. Attended by 165 members of the Central Committee, 103 alternate members and the central advisory commission of retired leaders, it comprised the élite of the party hierarchy and reflected the hardline stance of Deng Xiaoping, the senior leader, adopted after the Tiananmen Square massacre last June.

Though claiming relations with the people were "good", the plenum acknowledged problems, including too much bureaucracy, corruption and unnamed "other serious phenomena" which it said had to be rectified. In a throwback to the strategies of Mao, this would be done by sending cadres "to the grassroots". The plenum listed seven tasks, all in the jargon of the 1960s, for lifting party support and none represented new thinking.

Reflecting the leadership's concern at events in eastern

Europe and the downturn in the economy, the plenum's communiqué exhorted cadres to act quickly to remedy problems which threatened their solution exist. The 1990s is a "decade crucial to China's development", the document said, adding: "We will surely establish ourselves in an unsailable position provided we lose no time to do China's own affairs well."

President George Bush yesterday admitted disappointment with the state of political reform in China in the aftermath of the Tiananmen Square massacre last June. Peter Riddell adds from Washington.

Mr Bush has faced more criticism for keeping open high-level contacts with Peking than over any other foreign policy issue of his presidency. The US has hoped that, by seeking to retain influence with the Chinese authorities, last summer's restrictions would be gradually relaxed.

The state of mind of Mr Hawke's intelligent Australian voter

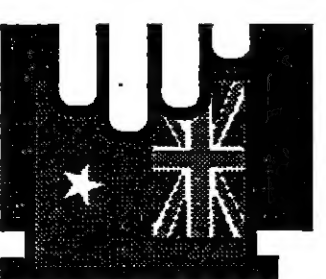
Say what the Prime Minister will, local issues are bound to influence the federal election, writes Chris Sherwell

ASK BOB Hawke if he thinks state-level issues will influence the outcome of Australia's federal election. He responds with one of his favourite phrases: to suggest such a confusion is an "insult to the intelligence of the electorate".

It is easy to see why he makes such an assertion when one looks at the extraordinary maladministration of Labor state governments in Victoria and Western Australia. Mr Hawke is seeking his fourth term as Prime Minister - a record both for a Labor leader and for Labor as a party.

Indeed, the government in the "wild West" was such a liability that, just before he announced the March 24 election date last month, Mr Peter Dowding, as premier and replaced him with Dr Carmen Lawrence.

The immediate reason was to counter the evaporation of pop-



AUSTRALIAN ELECTIONS

ular support in the state, which was becoming so serious it threatened to lose Labor two and perhaps more seats - no small matter when Labor's majority is 18 in the 148-seat House of Representatives.

The loss of support in turn sprang from the Government's dealings in and with business, especially its abortive bail-out of the collapsed Rothwells

finance house and its costly involvement with the Bond Corporation in an ill-conceived petrochemical plant project and a takeover of the Bell stable of companies.

The losses to the taxpayer run to hundreds of millions of dollars, an embarrassment exceeded only by the lamentable performance of the Labor government in Victoria. There, the losses are running even higher and there are loud calls for the resignation of Mr Rob Jolly, the state treasurer, if not John Cain, the premier.

At the most spectacular example is at the State Bank of Victoria and its merchant banking offshoot, Tricontinental Holdings, where total provisions and write-offs now run above A\$1.2bn (257m) for 1988 and 1989. With 10 marginal seats in Victoria - about half the national total - the pressure on Labor is far more acute than in Western Australia, and reinforced by the fact that Mal-

bourn is the heartland of Mr Andrew Peacock, the coalition's leader.

It is there that Labor expects to suffer its biggest losses to the opposition Liberal and National party coalition, and no one doubts that state issues will be a key reason. Indeed, if Victoria and Western Australian developments were all that mattered, Labor's chances at the federal level would be minimal.

But this is Australia, and what is fortunate for Labor, events in the other states - notably Queensland and New South Wales - point the other way. Of the two, New South Wales is more important because it has the more seats - well over one-third of the total being contested - but the outcome there is also more difficult to predict.

It was in New South Wales in the late 1970s that Labor learned how to be a real party wielding corporatist power.

AUSTRALIA

State of the Parties House of Representatives

Party	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Lab	28	23	13	5	5	1	2	1	55
Lib	13	13	5	5	5	4	1	1	47
Nat	10	3	5	1	1	1	1	1	18
Total	51	39	24	11	11	6	4	3	148

*Representatives in bold reflect that they were elected in the 1987 federal election. Figures in parentheses represent the number of seats held by the party in the 1984 federal election.

And it was in New South Wales in 1988 that its long run of success at state level ended, when Mr Nick Greiner led a Liberal-National coalition to victory.

His market-oriented emphasis on efficiency - in particular in education, hospitals and the state railways - together with a heavy programme of asset (mainly property) disposals, have since made his government highly unpopular. To make matters worse, Mr Greiner's National party partners have become tainted by accusations of corruption.

In Queensland, this was the very issue that brought down the National party government late last year, ending more than 20 years of unbroken rule with and without the Liberals.

Lab is paying that its state victory under Mr Wayne Goss will repeat itself in Queensland's federal constituencies, which is why Mr Hawke formally launched the party's re-election campaign in Brisbane.

Queensland is without doubt the linchpin in Labor's campaign to win re-election in 1990. What it loses in Victoria and Western Australia, it cal-

culates, it may be able to claw back in Queensland and to a lesser extent in New South Wales.

If this in itself underlines the importance of state issues, their significance is reinforced by Australia's electoral system. Although minor parties, such as the Australian Democrats and "Greens", expect to capitalise on popular disillusionment and win more votes than in the past, their supporters' second and third preferences count - and state issues are certain to influence those preferences.

So will other factors, of course: the environmental issue, for example, the personalities of Mr Hawke and Mr Peacock, and the effectiveness of the two sides' campaigns in the all-important marginal seats. But Mr Hawke's robust defence of the intelligence of the electorate in respect of state issues is as self-serving as it is heroic.

Mandela calls for stronger sanctions

By Robert Taylor in Stockholm

MR Nelson Mandela called for an intensification of sanctions against South Africa and an ending of diplomatic ties with Pretoria yesterday during a visit to Sweden.

He told Swedish MPs: "I have a vision of South Africa as a united, democratic country which has no discrimination, no racism and is not involved in any military alliances."

In a wide-ranging press conference Mr Mandela refused to express any criticism of Mrs Thatcher's moves to lessen rather than tighten up sanctions against South Africa.

WORLD TRADE NEWS

Hyundai to help with petrochemical plant in Siberia

By John Ridding in Seoul

HYUNDAI, one of South Korea's largest business groups, is to share in building a \$50m (22.5bn) petrochemical plant in the eastern Soviet Union, the company said yesterday.

The move reflects the rapid development of trade and economic links between South Korea and the Soviet Union, and Hyundai's aggressive expansion into eastern Europe. The announcement follows a visit to the Soviet Union by Mr Chung Ju Yung, Hyundai's founder and honorary chairman. During the visit, Mr Chung also opened a Hyundai branch office in Moscow.

Details concerning the petrochemicals contract have not been finalised, but Hyundai is expected to be awarded the contract for the construction of the plant, estimated at about half the project's total value.

A spokesman for Hyundai said work was expected to start in the second half of next year, and that the first phase of construction is expected to be completed within four years. The complex is to be situated in Siberia.

Hyundai will receive two-thirds of its payment in dollars, borrowed from Western

banks and backed by the Soviet Government. The balance will be paid in roubles.

Hyundai's participation is believed to have been recommended by Construction Engineering (CE), the US company which is the Soviet Union's joint venture partner in the project.

Hyundai and CE have previously co-operated in construction ventures, including the building of nuclear power plants in South Korea. Mr Chung is to visit CE early in April to discuss Hyundai's role in the new project.

Economic links between South Korea and the Soviet Union have expanded rapidly over the last year. South Korean exports increased by 86 per cent to \$208m in 1989, while imports more than doubled to \$391m.

A Soviet trade office was established in Seoul at the end of last year and earlier this month, South Korea said it would start importing processed uranium from the Soviet Union. The two countries still do not have diplomatic relations because of Moscow's ties with North Korea.

Laying to rest the cosy inefficiencies of Comecon

East Germany can expect pain to accompany the prosperity of market forces, writes Andrew Fisher

TO EAST German managers brought up in the hermetically sealed economic world of the Soviet-led trading bloc Comecon, concepts such as market share and competitive pricing are something of a novelty.

Take, for instance, the response of Mr Lotmar Helm, head of East Germany's IFA trucks concern, when asked in Berlin this week about its penetration of markets in eastern Europe.

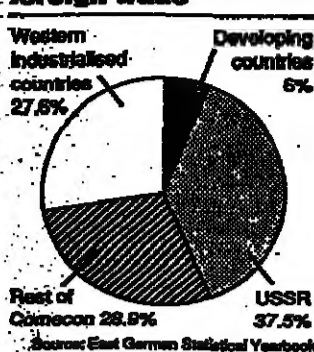
Having just signed a joint truck venture with Mercedes-Benz of West Germany, he said about half of IFA's yearly output of some 40,000 commercial vehicles was exported further east.

What about market share? Mr Helm had no information about percentages. This had obviously never been relevant in the highly-structured trading world of Comecon. East Germany had been allotted the role of small-to medium-sized truck producer, while heavy trucks came from Czechoslovakia.

The same planning rigidities also applied to the internal workings of East German concerns. Like other industrial groups, IFA makes all its parts, even down to piston rings, with a level of vertical integration twice that of Mercedes.

All of this, however, is now changing rapidly as the winds

East German foreign trade



Source: East German Statistical Yearbook

of economic reform blast relentlessly through east Europe. Once the likely currency union forces companies in East Germany to operate with transparent cost and pricing systems, the cosy inefficiencies of the past will disappear, a process that will bring pain as well as prosperity.

Autarky will be replaced by the flexible and widespread supply and trading networks common in the west.

By western industrial standards, East German links with the non-Comecon world are hopelessly underdeveloped, the legacy of a Soviet-dominated economic system. The Soviet Union accounts for nearly 40 per cent of East German trade and the rest of Comecon, in

particular Czechoslovakia, Poland, and Hungary, for nearly 30 per cent. The so-called "capitalist industrial countries", in particular West Germany, make up most of the rest. West Germany, by contrast, carries out less than 5 per cent of its trade with Comecon.

The integration of western Europe, notably West Germany, into the international division of labour was the main driving force for post-war recovery, Mr Jörg Beyfuss, senior economist at Cologne's IW economic institute, notes.

"As a mirror image, the world economic isolation of Comecon countries is a reason for their economic backwardness," he adds.

Testing economic progress for the reforming countries of eastern Europe is unthinkable without more intensive links to world trade.

As West German and other foreign companies - so far, the Germans are predominantly in evidence - step up their drive into East Germany, changes are likely to be bewilderingly fast. Yet while it is clearly in East Germany's interest to cut sharply its dependence on trade with the Soviet Union and the rest of Comecon, the past links with the East are obviously also a valuable asset.

"We intend to make a dynamic entry into the markets of eastern Europe," said Mr Werner Nieske, chief executive of Mercedes-Benz, part of

such a move for some months, according to a senior official at the agency. He said negotiations with several East German companies are already under way, and the first deals should be covered "within a short period".

Initially, Hermes will offer only commercial risk insurance on export credits to West Germany and the EC. The package will be open to all East German companies, whether state-owned, joint venture or private, on the same terms as those offered to

West Germans - premiums will be charged at the same rates and according to the same criteria.

An integral part of the new service will revolve around the provision of credit rating services and commercial advice, including information on dealing with Western importers.

According to Hermes, one of the main obstacles faced by potential East German exporters is the lack of information about Western companies, leaving them especially vulnerable to risk of default.

Assessing the size of East German trade is hard; statistics are poor. Mr Beyfuss puts it at \$33.5bn in 1988, less than stated by East Germany's own figures. The East German share of world trade is a tiny 1 per cent. West Germany's is 10 per cent.

Moreover, East German exports to the West consist mainly of goods with a low technological content such as textiles, furniture, iron and steel.

Mr Beyfuss cites a telling difference between the trade content of the two Germanys. Whereas at least 40 per cent of West German exports to other western countries comprise automobiles, machinery, and electrical and electronic products, the corresponding share for East Germany is only 18 per cent.

It is a further example of the huge gap between the two Germanies. Even if they are united, and the gap becomes internal rather than external, it will take several years and much effort to close.

Italtel and Matsushita in accord on fax machines

By Haig Simonian in Milan

ITALTEL Telematica, a subsidiary of Italy's state-owned telecommunications equipment maker, has reached agreement with Matsushita, the Japanese electronics group, to produce a range of facsimile machines under licence.

The deal is an important extension of fax production in Italy.

Italtel, which claims to have some 25 per cent of the Italian market for fax machines, has been involved primarily in the "commercialisation" of machines produced principally in Japan.

The Italian market for faxes - 220,000 units last year - has

seen rapid growth alongside declining prices.

Under the new arrangement, it will be more directly involved in manufacturing, although no details about the level of local content have been disclosed.

The CX300 and CX310 model fax machines, designed by Matsushita Graphic Communication Systems, will be produced at Italtel's plant near Naples in southern Italy.

The value of the deal has not been disclosed. But an Italtel official said it would involve "numerous thousands" of machines throughout the agreement.

Taiwanese businessmen now free to visit China

By Peter Wickenden in Taipei

TAIWAN yesterday decided to lift an unenforceable ban on visits by its businessmen to China.

The decision legalises a practice widespread since curbs on family visits to China were lifted in 1987. About 800,000 Taiwanese have visited China since, many seeking business or planning investment, while visiting relatives. Indirect trade last year was worth more than \$3.5bn (\$2bn).

Businessmen will now officially be able to study China's investment environment and

attend trade shows. Maximum stay is three months. They can now import antiques and samples for research purposes. Local government employees, private citizens and academics are now allowed to attend conferences in mainland China, but cannot co-sponsor activities there.

Mr Chang Jian Bang, Taiwan's Transport Minister, said direct private transport links across the Taiwan Strait could easily be re-established if Taipei and Peking allowed it.

Sentence on UK journalist could hit trade with Iraq

By Victor Mallet, Middle East Correspondent

THE dispute between Britain and Iraq over the death sentence on Mr Farid Bazoff, the Iranian-born journalist working for The Observer (London), threatens to make life even more complicated for British businesses in the Middle East.

UK companies have already been put at a disadvantage elsewhere in the region because of Britain's lack of diplomatic relations with Iran, Syria or Libya, although trade continues with all three, despite political differences with the UK.

British trade with Iraq depends largely on official UK credit lines, and withholding credit is among the actions the British Government might take if Iraq executed Mr Bazoff, on spy charges, and refused to show clemency to Mrs Daphne Parish, a British nurse sentenced to 15 years' jail for allegedly helping him.

Even if Iraq backtracks and the dispute can be resolved, President Saddam Hussein's government may give vent to Iraqi nationalism by discriminating against British "colonial" goods, as some radical Iranian officials have tried to do in the absence of any formal trade embargo by either Tehran or London.

A further obstacle to good UK-Iraq relations is the continued imprisonment of Mr Ian Richter, a British businessman who has been serving a life jail sentence since 1986, for alleged

corruption. Iraq's oil reserves are second only to those of Saudi Arabia, and the country therefore has good long-term financial prospects.

But for the moment, its foreign debt of some \$35bn (\$20.5bn) to non-Arab nations makes it hard for the Baghdad government to obtain credit from other sources, giving Britain what little leverage it has. For an effective credit embargo, Britain would need the firm support of the European Community, the US and Japan.

Last year, British exports to Iraq rose to \$450m from \$412m in 1988, while British imports fell to \$33m from \$176m. The 1989 surplus in Britain's favour was bolstered by \$340m in lines of credit guaranteed by the Export Credits Guarantee Department.

This year, Britain allocated only \$250m in credit - none of it so far drawn down - and officials privately blamed the reduction of Iraqi arrears on repayment of previous credits. Overall, Iraq ranks about 30th among Britain's export markets, importing pharmaceutical products and machinery in particular.

The effects of diplomatic disputes on trade vary widely from country to country. British exports to Libya have been rising, while those to Syria and Iran have fallen markedly.

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AMERICAN NEWS

Fed underlines doubts on dollar intervention

By Peter Riddell, US Editor, in Washington

HIGHER Japanese interest rates would not necessarily mean higher interest rates in the US, Mr John Law, a Federal Reserve governor, said yesterday.

Speaking in Washington, Mr Law underlined the doubts of many Fed policymakers about large-scale intervention to hold down the dollar in exchange markets. He said he was "not a strong believer in what we call sterile intervention."

Mr Law's comments came as President George Bush sought to play down talk of administration differences with the Fed, especially after a report last week that he was considering not reappointing Mr Alan Greenspan as Fed chairman next year.

Denying there was a "bubbling war with Alan Greenspan," Mr Bush said there had been

no discussion of his future. He said every president would like to see interest rates lower, while adding his concern over inflation.

Mr Bush noted that some felt the Fed was dragging its feet somewhat in getting interest rates down. "I think some probably agree with the inflationary concerns that have been expressed. But I'm not in a Fed-bashing mode. I think it's very sensitive in terms of markets and everything else to even go as far as I have done, trying to say very little, and succeeding only moderately."

US Treasury bonds have clearly been struggling over the past few days because of accumulating evidence that the economy has rebounded smartly so far this year.

The yield on the benchmark long bond rose to 8.65 per cent at mid-session yesterday after a

strong set of retail sales figures, which followed Friday's strong February employment data.

The weakness in the bond market has been compounded by the rather odd behaviour of the Federal Funds rate, targeted by the Fed and a key tool of monetary policy. Last Friday, Fed Funds drifted a little above the 8 1/4 per cent level believed to be the Fed's target with no protest from the central bank.

Yesterday, the Fed was expected to add reserves to the banking system but chose not to, worrying some in the market that the Fed is willing to tolerate a slightly higher Fed Funds rate.

There is no evidence that the Fed is actually tightening monetary policy but the market has a close eye on its behaviour.

El Salvador rebels seek negotiated settlement

By Richard Johns in Mexico City

THE Farabundo Marti National Liberation Front (FMLN), El Salvador's left-wing guerrilla group, is actively pursuing a negotiated settlement in El Salvador through the United Nations, the group said yesterday.

Mr Schaffik Jorge Handal, one of the movement's five commanders, made the group's first public pronouncement since the defeat of the Sandinista regime in Nicaragua. The FMLN has been partly dependent on Sandinista support.

The FMLN is concentrating on building up diplomatic pressure to bring about a resumption of peace talks, Mr Handal said. The right-wing ARENA government of Mr Adolfo Christiani has expressed its opposition to UN involvement, though Washington favours it.

In what was termed a unilateral initiative the FMLN also announced a limitation of hostilities from midnight on Friday with the suspension of sabotage against public transport, commercial establishments, as well as attacks on public servants and civilians.

Mr Handal stressed that the struggle against El Salvador's armed and paramilitary forces would continue.

He said that El Salvador's armed forces should not interpret what had happened in Nicaragua "in the wrong way" and that the country's "authoritarian" elements in his country were misguided if they thought that Mrs Violeta Chamorro's triumph in the Nicaraguan elections last month meant the end of the FMLN.

Arms supplies were not a problem, Mr Handal claimed, saying that the FMLN had not recently been receiving arms from the Sandinistas.

On the diplomatic front, Mr Salvador Sanchez Cerezo, one of the FMLN hierarchy, stressed that the FMLN had been in "constant contact" with Mr Alvarez de Soto, the representative of Mr Javier Perez de Cuellar, UN Secretary-General.

Bridge widens across the Atlantic

Regular talks will strengthen EC-US relations, writes Peter Riddell

WHEN Mr Charles Haughey, the Irish Prime Minister, and current president of the European Council, recently talked of "building a broader bridge across the Atlantic", he was reflecting a mutual desire in the US and the European Council for a closer relationship.

The agreement reached between Mr Haughey and President George Bush for more formal and regular (half-yearly) meetings at both head of government and foreign minister level is only the first specific result of ideas floated last May by Mr Bush and in more detail in mid-December by Mr James Baker, the US Secretary of State. Mr Baker called them for the two sides to "work together to achieve, whether in treaty or some other form, a significantly strengthened set of institutional and consultative links."

US policy shifted last year towards welcoming European integration, both the creation of the single market after 1992 and the changes flowing from the upheavals in eastern Europe and German unification. President Bush is interested in Europe in a way far removed from the Reagan era, when the European Commission president, three times last year.

The Bush Administration not only believes that a continued US presence is a force for stability (the Nato side), but has also not wanted to be excluded by a resurgent Europe (the EC side). Talk of a "new Atlanticism" has reflected US apprehension and a desire to keep a foothold in Europe, with a prior say in discussions.

Argentine central bank governor steps down

By Gary Mead in Buenos Aires

MR Enrique Folschini, Argentina's central bank governor, has forced his resignation on a reluctant Peronist government, thus making way for the fifth governor in the 10 months since President Carlos Menem took office.

Mr Folschini first presented his resignation to Mr Antonio Erman Gonzalez, Economy Minister, on March 7. Mr Gonzalez spent a week considering the case but later on Monday evening Mr Folschini's departure was finally accepted. Mr Folschini, who had been central bank governor for a period under the 1976-83 military dictatorship, lasted less than two

months on this occasion. Mr Folschini did not go quietly, but in his resignation letter accused unnamed ministers of echoing protests made by vested business interests against government economic policy.

While there was no immediate indication of a successor, it appeared likely yesterday that Mr Gonzalez would take charge of the central bank. Mr Gonzalez would thus concentrate considerable power in his own hands. Besides the Economy portfolio he recently also took charge of the financial operations of the Public Works ministry.

Mr Fernandez Collor de Mello, Brazil's president-elect, has named a little known Supreme Court judge to lead the country back into the international community as its new foreign minister.

Brazil judge spearheads foreign affairs effort

By Ivo Dawson in Rio de Janeiro

MR Fernando Collor de Mello, Brazil's president-elect, has named a little known Supreme Court judge to lead the country back into the international community as its new foreign minister.

Mr Francisco Rezak, widely praised as president of the electoral tribunal that supervised last year's presidential elections, is to spearhead initiatives aimed at giving Brazil a bigger world role.

Mr Collor, who takes office tomorrow, wishes to see his country as a recognised member of the developed world and not merely a leader of the underdeveloped one.

US retail sales hit by volatile car figures

By Anthony Harris in Washington

US RETAIL SALES, which rose strongly in December and January, relapsed by nearly a full percentage point in February in seasonally adjusted terms, the Commerce Department announced yesterday.

The month-to-month swings are almost entirely due to volatile car sales: without the car component, sales have been rising fairly smoothly by about 1 1/2 per cent a quarter in value, or an annual rate of just over 1 per cent in real terms, as they did through much of 1989.

Car sales, by contrast, fell by 6.8 per cent in February after rising no less than 10.7 per cent between December and January; the depressed market in January were partly due to a freakish change in the weather, from winter blizzards to an Indian summer.

The weather this year, which provoked one analyst to remark that seasonally adjusted, the January temperature in Chicago was over 100 degrees (Fahrenheit, of course), continues to make nonsense of any attempt to correct for seasonal trends.

When the Commerce Department made its announcement the temperature in Washington was just below 90 degrees, some 15 degrees above the previous record for the date - or perhaps 115 degrees, seasonally adjusted.

The same heatwave quickly cleared the previous week's snow from the streets of New York.

The Commerce Department also announced that the US current account deficit in 1989 was \$105.9bn, compared with a 1988 deficit of \$126.5bn. These figures are closely comparable with the merchandise trade figures announced earlier.

They show that the invisible balance, which was widely expected to deteriorate as foreign debt service and dividend payments rose, has in fact improved by \$6.3bn between the two years, despite a 3 per cent dollar appreciation in the year. A higher dollar reduces the reported value of US foreign investments, and the adjustment is treated as an outflow.

Haiti picks interim leader

By Canute James in Kingston

MRS Ertha Pascal-Trouillot, a judge in Haiti's Supreme Court, was sworn in yesterday as head of the country's interim government, with a mandate to organise elections and hand over to a new government by next February.

The selection of the interim administration by opposition political parties and Gen Erasmus, the head of the army, followed the flight to the US early on Monday of Gen Prosper Avril, who headed a military government for the past 18 months. Gen Avril resigned on Saturday after a week of anti-government protests in which about 20 people were killed.

Mrs Pascal-Trouillot, 43, is Haiti's first female head of state. Described by Haitian officials as being a campaigner for an improvement in the lot of the Haitian people, she has written extensively on legal matters. The US administration has greeted the appointment.

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Rise of Freedom

The world is in the midst of a dramatic transformation from enmity to friendship. Hope and freedom are dawning in many countries; there is an upsurge of joyfulness everywhere.

This transition from fear and suffering to happiness and peace has resulted from the rise of coherence in world consciousness—the Maharishi Effect—created by millions of people practising the programmes of Maharishi's Vedic Science and Technology—the Transcendental Meditation and TM-Sidhi programmes.

'The World Is My Family'

The main concern of government leaders has always been to safeguard their own boundaries. Now this national patriotism is expanding to become global patriotism. People everywhere are beginning to feel, "The world is my family."

Unified Field of Natural Law

At the basis of this rising positivity is the enrichment of the unified field of natural law in world consciousness.

Through quantum field theories, modern science has come to understand that all the laws of nature responsible for conducting all the activity in creation emerge from one basic unified field. From the unified field, nature governs the universe in perfect order, and always in an evolutionary direction.

Today, every government can have easy access to the unified field. By establishing a coherence-creating group of experts in Maharishi's Vedic Science and Technology as an inseparable part of its administration, any government can make an alliance with the government of nature.

Handling the Whole National Consciousness

The basic problem facing governments is how to successfully integrate the innumerable trends and tendencies in society. Only by creating coherence in the collective consciousness of the nation can a government hope to satisfy all its people. Since the collective consciousness of the nation is the prime mover of the government it is vital for the successful administration of society that every government create an integrated national consciousness.

Group practice of Maharishi's Transcendental Meditation and TM-Sidhi programme enriches the unified field and automatically increases coherence in collective consciousness. A fully integrated national consciousness enjoys alliance with the unified field. This brings the full support of the nourishing, evolutionary power of natural law to fulfill the desires of everyone.

Life in Accord with Natural Law

Any negative trends arising in society come from violation of the laws of nature. When people violate natural law they create stress, sickness, and suffering for themselves and others.

The continual build-up of stress in collective consciousness breaks out in crime, conflicts, terrorism, and natural disasters. Through Maharishi's Science and Technology of the Unified Field, governments can now educate their citizens to think and act spontaneously from the level of the unified field and thereby avert all negativity for both the individual and society.

Scientifically Validated Benefits

The effectiveness of Maharishi's unified field-based approach has been documented by more than 430 scientific research studies, conducted at over 160 research institutions in 27 countries.

This research has shown that even the square root of one percent of a population practising Maharishi's Transcendental Meditation and TM-Sidhi programme together in one place is sufficient to dramatically reduce negative trends such as conflict, crime, and sickness and

strengthen positive, evolutionary, trends throughout society.

Scientific research has further shown that Maharishi's Ayur-Ved—the science of perfect health—offers the possibility of creating a disease-free society in every country. Already, programmes of Maharishi's Ayur-Ved and Transcendental Meditation are being introduced in many countries, including the USSR, Hungary, and Poland.

Creating Heaven on Earth

With this scientifically validated knowledge, it is no longer necessary for any individual or any nation to continue living with problems and suffering. Every government can now raise every area of national life to perfection through Maharishi's Master Plan to Create Heaven on Earth, which utilizes Maharishi's Vedic Science and Technology to apply the unified field of natural law for the glorification of all aspects of life—inner and outer (see chart).

Natural Law and National Law

Nations have always been administered by man-made law. Now the technology is available to use the skilled hand of nature to administer society. Any government, irrespective of its political and economic system or the cultural and religious values prevailing in the country, will be perfect when the society is governed by natural law and natural law both simultaneously.

The technology for perfect government—unified field-based administration—is to establish a coherence-creating group in the country which will enrich the unified field in national consciousness and thereby enable the government to govern with the same silent perfection with which the government of nature governs the universe.

Through Maharishi's programmes to create Heaven on Earth, governments can now create peace, prosperity, and fulfilling progress in the life of their nation, and a supreme quality of life—Heaven on Earth—for the whole world family.

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MAHARISHI'S MASTER PLAN TO CREATE HEAVEN ON EARTH Reconstruction of the Whole World

INNER

GLORIFICATION OF INNER LIFE

- Development of higher states of consciousness
- Blossoming of noble qualities and bliss
- Gaining support of nature from within—happiness, peace, and fulfilling progress through:

MAHARISHI'S TRANSCENDENTAL MEDITATION and TM-SIDHI PROGRAMME the Practical Aspects of MAHARISHI'S VEDIC SCIENCE

which develops all the seven states of consciousness in the individual, and develops a perfect man with the ability to employ natural law to work for him and achieve anything he wants.

The seven states of consciousness are:

- Waking—Jagrat Chetna
- Dreaming—Swapna Chetna
- Sleeping—Susupti Chetna
- Transcendental Consciousness—Turya Chetna
- Cosmic Consciousness—Turyateet Chetna
- God Consciousness—Bhagavat Chetna
- Unity Consciousness—Brahmi Chetna—awakening of the pure nature of consciousness to its own self-referential reality—the unified reality of the diversified universe—which renders individual life to be a lively field of all possibilities—infinitesimal organizing power of the unified field of natural law spontaneously upholding individual life.

OUTER

GLORIFICATION OF OUTER LIFE

- Building Ideal Villages, Towns, and Cities, based on Maharishi's Sthapatya Ved—the science of building in accord with natural law—to create a beautiful and healthy environment free of pollution, noise, and stress so that everyone feels: "I am living in Heaven";
- Creating Global Green Revolution—farming all the unfarmed lands in the world using the scientific principles of Maharishi's Vedic Farming to produce naturally grown, healthy food to achieve food self-sufficiency in every country;
- Achieving global eradication of poverty and achieving economic self-sufficiency in every nation through Maharishi's programmes to develop agriculture, forestry, mining, and industry in every country;
- Realizing Global Rural Development and Urban Renewal—providing better living conditions for an integrated life of the rich and poor throughout the world;
- Achieving economic balance in the world family through Maharishi's Global Trading;
- Achieving ideal education through Maharishi's Vedic Science, which offers the fruits of all knowledge to everyone—life free from mistakes and suffering;
- Achieving perfect health for everyone and every nation through prevention-oriented Maharishi's Ayur-Ved;
- Achieving coherence, harmony, and balance in nature for everyone and every nation through Maharishi's Gandharv Ved;
- Achieving invincible defence for every nation through Maharishi's Dhanur Ved, which will disallow the birth of an enemy;
- Achieving perfect government in every country modeled on nature's government, which silently governs through natural law from the unified field of all the laws of nature—the common basis of all creation, the unseen prime mover of life eternally fully awake within itself and available to everyone on the level of one's own self-referential consciousness—transcendental consciousness;
- Achieving the rise of a supremely nourishing power in the world, which will unrestrictedly uphold the power of evolution in nature, eliminating all destructive tendencies and negative trends in the world.

As a result, every nation will lovingly own every other nation, and all nations together will nourish every nation—everyone and every nation in the world will enjoy Heaven on Earth.

This is a summary of the 1,500 page book, *Maharishi's Master Plan to Create Heaven on Earth*

AMERICAN NEWS

US wants break-up of contras, Ortega says

By Tim Coone in Managua

THE US is pressing for a rapid demobilisation of the Nicaraguan anti-Sandinista Contras forces, according to President Daniel Ortega.

US Vice President Dan Quayle and President Ortega met on Monday to discuss the issue in Chile. It was the first official high-level contact between the two governments since the Republicans took office in 1981 in the US and began to put intense economic and military pressure on the Sandinista government.

According to President Ortega, the US Vice President had assured him that efforts were now underway to demobilise the US-backed Contra rebels before the investiture of Mrs Violeta Barrios de Chamorro on April 25.

President Ortega had earlier warned that there would not be an orderly transfer of power if the 12,000 strong Contra army was not disbanded by this date.

In an interview published in the Sandinista party newspaper

"Barricada" yesterday, President Ortega is quoted as saying "Vice President Quayle told me that they are working on an idea such that the contras will no longer be in existence by April 25. He expressed his determination to effect this and I consider his position to be very constructive."

According to the press office of Mrs Chamorro in Managua, the US President George Bush also assured Mrs Chamorro on Monday by telephone that he is

in favour of "an immediate demobilisation" of the Contras and that efforts were being made to that end.

One of the Contra's leading field commanders, Commandante Ruben, is due to hold talks in Washington today with representatives of the UN and the Organisation of American States, which are charged with supervising the demobilisation plan, as set out in the Central American peace plan.

The Nicaraguan National Assembly passed a law on Sat-

urday granting amnesty to public officials who may have committed crimes such as bribery and embezzlement during 10 years of Sandinista rule.

Deputies in the Sandinista-dominated legislature said the law, passed by a vote of 66-3-3, would protect outgoing officials from possible "witch hunts". The law also grants amnesty for the US-backed Contra rebels as well as for possible crimes committed by Sandinista soldiers during their war with the rebels.

Bank says Mexico must cut demand and private investment

By Richard Johns in Mexico City

A REDUCTION in consumption and a slowdown in private investment will be necessary if Mexico is to avoid strong inflationary pressures, Banco Nacional de Mexico (Banamex) warns in its latest monthly report on the economy.

At the same time a 3-3.5 per cent growth in 1990 will depend on three external factors: maintenance of an oil price higher than the \$15 projected in the state budget, a continued fall in international interest rates and increased capital repatriation to compensate for lower than hoped for foreign investment.

Over the past three months inflation has risen by 10.5 per cent following the resumption of economic growth last year, now officially calculated at 3 per cent. The government's objective for 1990 is 3.5 per cent. The assumption of Banamex, Mexico's largest commercial bank, is that control of inflation, partly through limiting the devaluation of the peso against the dollar to one peso a day, will remain central to government economic policy.

Banamex does not foresee a fall in real interest rates until the end of March or April, provided that inflation declines from the high levels reached last winter. It forecasts an average of 16 per cent for the year as a whole.

As a result of the reduction of Mexico's debt to the commercial bank creditors and the \$1.6bn saving in interest payments, Banamex expects an improvement in Mexico's current account deficit for 1990 which it estimates at about \$4.2bn (compared with one of \$3.9bn in the January-September period of 1989).

It will increase, however, by \$450m for every dollar fall in Mexico's average per barrel oil earnings below \$15, says the report.

In their latest macroeconomic study the consultants Ciemex-Wharton also reflect concern about too fast a recovery in productive activity leading to more inflation and problems with the current account.

Some Nicaraguan battles have just begun

Tim Coone visits an area where Sandinistas and Contras still confront each other

THE Sandino museum in the remote northern Nicaraguan town of San Rafael del Norte, is sited at the one-time headquarters of General Augusto Cesar Sandino's army of nationalist rebels.

The museum's aging wooden floors sag under the weight of visitors who drop in to view the yellowing photographs of General Sandino's war against US Marines that occupied Nicaragua in the 1930s.

Outside, all the houses in the street bear the scars of the recent electoral campaign. Graffiti and posters of the ruling Sandinista party, the FSLN (named in the memory of General Sandino), and the US-backed opposition alliance UNO smother the walls.

The young woman curator of the museum wears a "Daniel Ortega for President" T-shirt. "We lost the municipal elections here to UNO," she said. "They will probably close the museum now and I will lose my job."

Outside San Rafael del Norte, US-backed Contra rebels are regrouping in the hills. No one knows yet whether the present war is over even though UNO won last month's elections. FSLN leaders say they will not hand over power on April 25 if the Contras do not demobilise. The Contras say they will not demobilise unless the Sandinista-controlled army does as well.

Two hours down dirt roads from San Rafael del Norte brings us the farming cooperative of Monterrey. Most of its 450 members, including dependents, are present. And it has

been attacked three times by the Contras in recent years.

All the members, down to the 11-year old children, carry automatic rifles. "Our weapons are our guarantee. Without them they could take our lands away," co-op president Mr Sergio Navarro, smiles when asked if they would accept orders from the new government to disarm.

The same story is repeated on co-operatives throughout the war zones. Most co-op members are former wage labourers who had no land of their own. They have everything to lose should UNO fail to keep its electoral promise that the Sandinista's agrarian reform will not be rolled back.

General Sandino had fought for the rights of landless peasants as well as against US intervention in Nicaragua. His assassination in 1934 following his troops' disarmament, the destruction of co-operatives he had established in the north of the country, and the subsequent establishment of a dictatorship until the 1978 revolution, is a lesson learnt by every Nicaraguan schoolchild. History imbues present-day politics.

The father of the present Interior Minister, Mr Tomas Borge, was a general in General Sandino's army. Many modern day co-operatives founded since the 1978 revolution were established on lands expropriated from people linked to the former dictatorship. Some powerful figures within the UNO alliance now want those lands returned to their former owners.

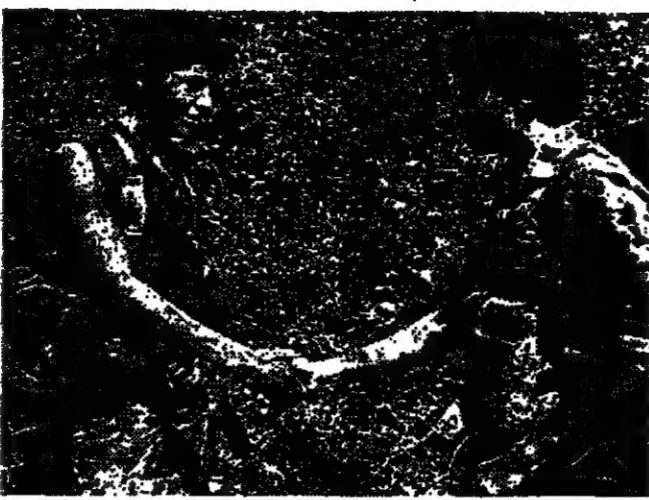
A few miles away from Monterrey a farm owned by a large landowner and businessman was taken over by its 120-strong workforce two days after the February 25 elections. "When the results became known, the foreman came around saying you Sandinistas will have to go. Only UNO people are going to work here now." So we decided to take over the farm," said one of the workforce leaders.

Most are battle-hardened veterans of the nine-year war against the Contras. As farm labourers they earn on average \$1 per day. Automatic rifles are shouldered with determination and confidence.

"This is now a co-operative and it is going to stay that way," said Mr Antonio Lasso the newly elected leader of the workforce militia.

The farm owner, Mr Emilio Molinas, says: "Coffee is the best business in the world" but he is not in a hurry to retaliate. He owns one of the biggest coffee-processing plants in Nicaragua. He denies that anyone has been threatened with dismissal on his farm, and is awaiting the installation of the new government to begin legal proceedings against the occupiers.

How he will recover his 170 hectare farm which he says would earn him \$100,000 in profits this year remains in doubt. If the army and police remain in Sandinista hands, who is going to force the workers to return his property? "If things carry on like this the Contras are the only option," he said.



Contra and Sandinista fighters shake hands in 1990 but they are still confronting each other after the elections

Over on the Pacific coast, lies Nicaragua's biggest factory, the San Antonio sugar factory with 5,300 employees. It is a state-run enterprise since it was expropriated in 1986 from one of the country's wealthiest families following accusations that state bank credits for the factory were being diverted to other family businesses.

A principal plank of UNO's platform is to denationalise state-run enterprises. Mr Francisco Membrillo, the head of the Sandinista-controlled union at the factory said "We face a tough battle ahead. Our advantage though is that unlike in the days of Somoza, the police will not repress us if we strike."

Under Nicaragua's new constitution, the police and army bear the Sandinista prefix. Property, be it private, state or cooperative "has a social function." Trade unions are permitted a say in management.

UNO did not win a sufficient majority in the National Assembly to reform the constitution. The Contras, while armed, remain an alternative, albeit unconstitutional option for changing the rules of the game. Future disputes over land and property, and how they will be resolved, thus lie at the heart of the delicate negotiations taking place over the transition of power.

The onus is now on the armed forces and police to prove their impartiality. *ef*

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THE 1990 SOVEREIGN JAGUAR

UK NEWS

Maritime group to consider plan for international spillage task force

US calls for team to tackle oil disasters

By John Hunt, Environment Correspondent

PROPOSALS for an international emergency system to deal swiftly with major oil tanker spillages such as the Exxon Valdez tragedy in Alaska are likely to emerge from discussions at the International Maritime Organisation in London this week.

About 70 member states on the IMO Marine Environment Protection Committee are considering a draft convention put forward by the United States for "prompt and effective" international co-operation to deal swiftly with such incidents.

Further work will be done on the proposals in May and they are expected to be adopted in November at a full meeting of the 134-member IMO, which is a UN agency.

There have been five large oil spillages in recent years: the Torrey Canyon lost 720,000 barrels off Cornwall in March 1967 and in March 1978 1.6 barrels were spilled from the Amoco Cadiz off Brittany. Last year's Exxon Valdez disaster in March when 267,000 barrels were lost was followed in December with disasters involving Kharg-5 off Morocco and Aragon off Madeira in which 560,000 and 175,000 barrels were lost respectively.

There are already some emergency centres around the world to deal with oil slicks.



The Exxon Valdez clean-up operation in Alaska last year

The main one is the Oil Spillage Response Centre in Southampton which is supported by the major oil companies.

But the convention would establish a worldwide network of centres, fully-equipped with the latest clean-up technology.

The members states would be pledged to a system of mutual aid in the event of major spillages, each country would establish a national contingency plan for combating oil pollution and would train pollution response personnel.

Tankers of member states would have to carry an oil spill response contingency plan on board. This would contain information which the master would have to provide in the event of an accident.

The IMO committee is also debating proposals for stricter control of air pollution from ships. A Norwegian investigation indicated that ships contribute 40 per cent of Norway's emissions of nitrogen oxides and 14 per cent of sulphur dioxide emissions.

Friends of the Earth, the environmental organisation, has made a submission to the meeting, calling for an end to the use of CFCs (chlorofluorocarbons) and halons in ships.

These substances contribute to the thinning of the ozone layer. CFCs are used in refrigeration and halons in fire extinguishers.

FOE, which has observer status at the meeting, is also calling for more effective legal powers to prosecute ships making illegal discharges. A survey of 300 discharges reported in the North Sea showed that only 18 prosecutions had resulted. Fines, often of only several hundred pounds, were described by FOE as insignificant and in some cases there was no record that they had been paid.

Budget talk is dish of the day

Sara Webb samples a British Sunday lunch with a financial flavour

PATRICK waded through a mound of bills in buff envelopes, and the poll tax registration reminders that had collected at his front door.

He dined the prospect of Sunday lunch with his younger brother Alastair, 30, a banker, and sister-in-law Candida. Their conversation invariably centred on money.

At this time of year, they were bound to air their views on what might be in the Budget. Patrick wondered why the money-making genes in the family had gone to Alastair. In fact, it was probably not all inherent; some credit could go to the Thatcher Government, which had brought down the top rate of income tax from 53 per cent to 40 per cent. Alastair had done well.

Patrick, a teacher, had hoped the basic rate would come down from 25 per cent to 20 per cent as the Chancellor had promised, but Alastair maintained there was little chance of further income tax cuts in this year's Budget.

"Tax reform has been one of the major changes in personal finance under Thatcher," said Alastair over lunch. "Income tax has come down considerably. Capital Gains Tax, levied at a rate of 30 per cent up to April 1988, is now either 25 per cent or 40 per cent, both with a 25,000 annual exemption. Many investors now regard CGT as

the tax to avoid and only sell sufficient assets to use up the allowance.

"Capital transfer tax has been replaced with inheritance tax, which is more swingeing and harder to avoid," Alastair droned on.

"Investment income surcharge has been abolished, with the result that people now are probably more heavily taxed on their earned income than on their unearned income. It used to be the other way around."

Patrick's eyes were beginning to glaze over, but his brother continued: "The Government has tried to get rid of exemptions and tax breaks in pursuit of a simpler tax system. Probably the most significant change, for married couples at least, is the introduction of independent taxation from this April."

"This could cost the Government at least £500m in lost revenue, so the Chancellor may not feel too generous on the tax and allowance front now. I doubt whether personal allowances will even go up in line with inflation this year."

Candida, who was well aware of the impending advantages of independent taxation, had already opened an offshore account where she was paid interest gross. "I've already persuaded Alastair to transfer some of his assets to my

name," she said. Patrick regarded his sister-in-law as a gold-digger.

Alastair enjoyed the trappings of wealth: a company car, a perk that may be more heavily taxed in this year's budget; a mobile telephone; and free medical insurance. He was even able to pay for his parents' to have private medical insurance under the Government's new scheme because that would provide him with tax relief on premiums.

Patrick responded testily to the idea of a personal pension on his teacher's salary.

"They're very popular, not just among executives," said Alastair. "All you have to do is contract out of Serps and let someone with a good investment record manage the pension for you."

Thatcher's twin tenets of wider share and home ownership had had little effect on Patrick, although he had felt less baffled by the stock market than by pensions. He had even risked some of his savings in a couple of private-sector issues.

While Alastair "staged" the issues and made huge profits on multiple applications (in the names of various friends, which he admitted was "dodgy"), Patrick was left feeling confused and, by the time his share certificates arrived, the initial premium had usually decreased and the broker's commission lopped a chunk off the gain.

He gathered up the dishes despondently. "What you need is a PEP," said Alastair. "Everyone's got them - sales have surged since the Government introduced them two years ago. It's a tax-free scheme designed to encourage people to buy shares, unit trusts and investment trusts."

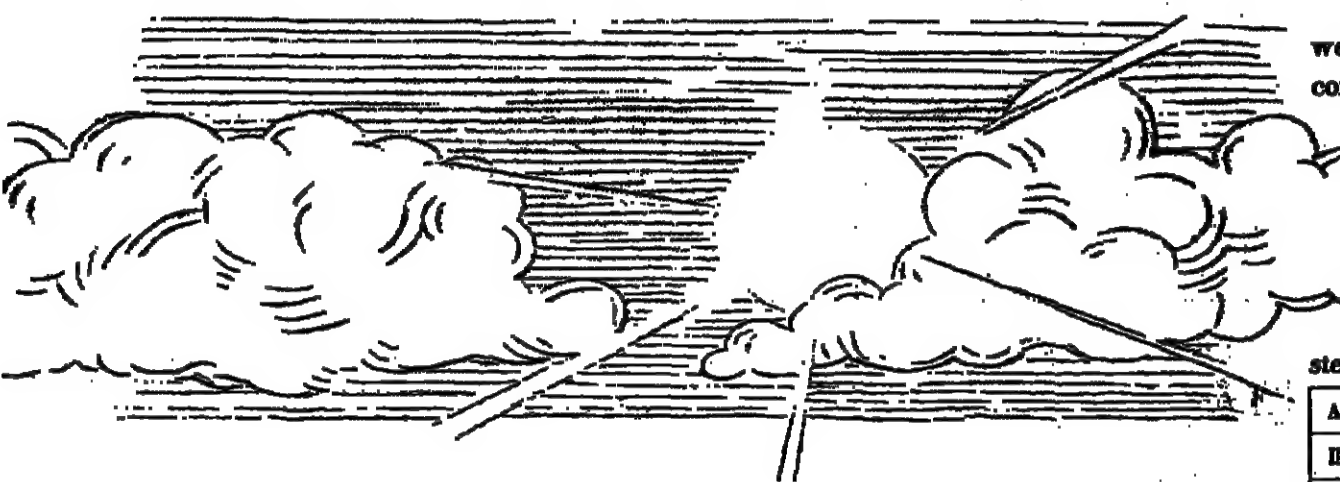
"All your gains are free of income tax and capital gains tax, so you can use your tax allowance for other investments."

Alastair cast his eyes critically around Patrick's rented flat. "When are you going to buy your own place?" he inquired.

Property is an investment, Patrick. You get tax relief on your interest payments. The Chancellor might even raise the amount which would qualify for Miras (mortgage interest relief at source) from the present ceiling of £30,000, which has been unchanged for years."

Alastair had bought a flat in the early 1980s and doubled his money on it, making enough profit to afford a good house. Patrick, however, was deterred by the high mortgage payments. Anyway, in his view it seemed that the Chancellor had little scope for manoeuvre on personal finance, given the current economic conditions.

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Homeless figures 'doubled' in decade

By Ian Hamilton Fazel, Northern Correspondent

MR DAVID HOWELL, the former Labour Cabinet Minister, yesterday attacked the Government for a lack of policy towards Japan and for threatening investor confidence by its uncertainty towards European integration.

Mr Howell, who is chairman of the Commons foreign affairs committee, warned that Japanese investment might be diverted into emergent East European.

He told a conference of the Anglo-Japanese Economic Institute in Newcastle-upon-Tyne that Japanese investment in Britain now stood at \$10bn, twice as much as in any other European country. Japanese holdings had risen to 3 per cent of Britain's fixed investment.

Yet there was a "devastating weakness" among Britain's foreign policy makers about Anglo-Japanese relations. "It's almost as though these areas of thought had been cut out of our minds. Japanese issues are considered too marginal for our policy makers to grasp," Mr Howell said.

"There is a blinding unawareness in London that Japan is moving to position itself in the post-superpower age. A Japan seeking greater independence from its US linkages is seeking common cause with a greater Europe. Britain is the linking buckle, yet we do not seem to be aware of our potential role. We sleep while others weave. It is time we awoke," he added.

Mr Tomonori Naruse, resident managing director for Europe of the Bank of Tokyo, said: "In spite of the fact that Mrs Thatcher has strong objections to the European Monetary System, the UK still has a very great charm for Japan. Change in Eastern Europe is a more important threat to the UK. Even Spain, which has great attractions for inward investors, is worried about Eastern Europe."

Later, Labour leader Neil Kinnock said high interest rates and the Government's 75% cut in housing investment intensified the pressures that led to families breaking up.

Mr Kinnock said fewer homes had been built in Britain in the last 10 years than in any peacetime decade since the end of the First World War. Families living in bed and breakfast and temporary accommodation in London would now fill a small town.

Subsidies for Ulster electricity to end

By Maurice Samuelson

THE GOVERNMENT has announced that it is no longer prepared to subsidise Northern Ireland's electricity prices to prevent them exceeding those of customers in England and Wales.

The decision was revealed yesterday by Mr Peter Brooke, the Northern Ireland Secretary, who said that the subsidies had in any case been unnecessary for the last few years thanks to the low price of oil and that it would also cease to be appropriate when the electricity industry was privatised.

The subsidies, which at times reached £100m a year, go back to the early 1960s, when Northern Ireland's electricity industry, which consists predominantly of out-dated oil-fired generating stations, was badly hit by the surge in world oil prices.

Mr Brooke, in a Commons written answer, said the tariff subsidy arrangement would be ended from April 1, when Northern Ireland Electricity (NIE) would be expected to resume setting tariffs on the

basis of its own costs rather than by reference to area board tariffs in Britain.

Since the fall in world oil prices, in 1986, there had been no need for NIE to be subsidised.

Mr Brooke also announced that Ulster electricity tariffs would go up by around 3 per cent on average from April 1, roughly comparable with anticipated increases in England and Wales.

Although NIE is due to be privatised, the Government has not yet announced when it will take place and whether or not the company would retain its present unitary structure or be split up.

There is also uncertainty about the choice of new generating capacity to replace its elderly power stations. The main choices, over which ministers and officials have deliberated for the past five years, are between new capacity to burn imported coal or indigenous lignite, or to import electricity by subsea cable from Scotland.

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UK NEWS

THE GUINNESS TRIAL

President denies board closed ranks against Saunders



New editor at the helm of the Thunderer

By Richard Donkin

MR SIMON JENKINS, the newspaper columnist, has been appointed editor of The Times of London.

He is seen as the man most likely to restore a newspaper, whose editorials earned it the affectionate nickname of the Thunderer, to its position as Britain's foremost journal of record.

In recent years the out-going editor, Mr Charles Wilson, has sharpened its news content but alienated some of the English establishment who would have preferred fewer diseases and disasters with their morning tea.

Most noticeably The Times midday is not what it was. Graham Greene, the novelist, who as a matter of habit always wrote to The Times, switched his allegiance to a newly launched rival - The Independent.

Mr Wilson has upset some of the Times' more delicate readers, he commands a debt of loyalty from Mr Rupert Murdoch, chief executive of News Corporation.

It was Mr Wilson who took The Times out of Fleet Street, against concerted opposition from the printing unions and turned round the ailing fortunes of the Chicago Sun-Times in 1984.

He has been appointed to the News International board where he will take over responsibility for the development of News International newspapers internationally.

Mr Jenkins, a former political editor of the Economist magazine, made his mark in London's Evening Standard writing on the quality of city life and architecture which struck a chord with readers.

LORD IVEAGH, the president of Guinness, yesterday denied that the company's directors had closed ranks against Mr Ernest Saunders, its chairman and chief executive, after Department of Trade and Industry inspectors began investigating the company.

Giving evidence at the Guinness trial at Southwark Crown Court, Lord Iveagh also denied distorting events so as to depict Mr Saunders in the worst possible light.

When Mr Richard Ferguson, for Mr Saunders, pointed to differences between Lord Iveagh's and Mr Saunders' recollection of events, Lord Iveagh replied: "I fear it must be Mr Saunders' word against mine."

Mr Saunders, Mr Gerald Ronson, the Heron group chairman; Mr Anthony Parnes, a stockbroker, and Sir Jack Lyons, the financier, have denied charges arising from an allegedly unlawful share support operation mounted by

Guinness during its takeover battle with Argyll for Distillers.

Lord Iveagh was cross-examined by Mr Ferguson about his claim that after the appointment of DTI inspectors Mr Saunders had told Lord Iveagh he wanted to move Guinness from Britain to Ireland.

Mr Ferguson suggested it was "nonsense" to say that Mr Saunders had mentioned that. He asked if it had been Mr Thomas Ward, another Guinness director.

Had it been Mr Thomas Ward, another Guinness director, he asked. No, said Lord Iveagh.

It certainly had not been Mr Saunders, Mr Ferguson said, adding that Mr Saunders denied having said that he wanted to "tell all" to Lord Iveagh. He suggested there was an in-between possibility: that neither Lord Iveagh nor Mr Saunders was telling lies but that "your memory is playing

you false," Lord Iveagh denied that.

Mr Ferguson said: "The alternative suggestion is that you are consciously distorting what happened so as to depict Mr Saunders in the worst possible light, and the motive for that is that there has been a joining of ranks by Guinness against Mr Saunders." Lord Iveagh said: "No sir, I am telling the truth."

The trial continues today.

Banks face new law on credit card industry

By David Barchard

BANKS are to be compelled by law to adopt the recommendations of last summer's Monopolies and Mergers Commission report on the credit card industry, Mr John Redwood, Corporate Affairs Minister, announced yesterday.

The move is the latest of a series of tough moves by Mr Nicholas Ridley, the Trade and Industry Secretary, towards the credit card industry.

Mr Redwood said the decision was made because of possible delays while Visa International, one of the two main credit card networks, waited for a judicial review over whether or not the MMC findings applied to it.

Visa International immediately attacked Mr Redwood's decision, which it said was an unnecessary step.

"We are extremely concerned about arbitrary decisions currently coming from the DTI and will be seeking an urgent meeting with Mr Redwood to discuss the situation," said Ms Carol Walsh, of Visa International.

Visa is directly affected by the MMC's recommendation that members of credit card networks should be able to sign up retailers as soon as they join and not have to wait - as National Westminster and Midland Bank did after joining Visa - until they have a large number of card-holding customers.

The other recommendation would allow retailers to give a discount to customers who pay in cash rather than by credit card.

Visa said it had heard yesterday that its application for judicial review will be heard on May 8. It was unwilling to give an undertaking until after it knew the result, but the Government had been aware that it was applying for an expedited hearing.

The banks have assumed until now that the MMC recommendations would be implemented through a set of voluntary agreements between Sir Gordon Borrie, the Director-General of Fair Trading, and individual banks and credit card networks.

Lloyds Bank, one of the largest Visa members in the UK and an unsuccessful applicant to join the rival Switch electronic debit card, seemed to distance itself from Visa on this issue.

"Lloyds has always been adamant about the need to press for an open market for all the credit and debit card schemes," said Mr Gerald Hawkins, assistant general manager.

Consultation for a statutory order will take at least a month and will then be followed by several weeks of drafting, but it looks possible that the order could be in force by the early summer.

Regions to get bigger say in UK arts funding

By Antony Thorncroft

SWEEPING changes are to be made in the organisation and funding of the arts in the UK.

The proposals, announced yesterday by Mr Richard Luce, the Arts Minister, will reduce the power of the Arts Council in London and increase the influence of the regional arts associations, which will be renamed regional arts boards.

"I am seeking three things," said Mr Luce. "Greater devotion to the regions; stronger accountability from the regions to the Arts Council; and a council that concentrates on strategic decision taking." The plans are expected to be effective by April 1993.

At the moment the Arts Council directly funds about 120 national and regional arts companies, with the regional arts associations looking after the smaller local companies.

By April 1993 the council will be responsible only for the Royal Opera House, Covent Garden; the Royal National Theatre; the Royal Shakespeare Company; the English National Opera; the South Bank Centre; and perhaps a few large arts organisations such as English National Ballet.

Mr Peter Falumbo, the chairman of the Arts Council, declined to comment on the minister's statement. The council will give its reaction after its next meeting later this month.

Assembly factory could be in UK

By John Griffiths

THE chairman of Toyota Motor's UK operations said yesterday that the company was considering setting up a second car assembly plant in Europe.

Mr Junji Numata said that the company was to seek collaborative projects with Europe's indigenous car makers with a view to exporting outside Europe. He said no formal decision had been made on another plant, but said the UK would again be a leading contender.

Toyota is to begin building a £700m car plant at Burnaston, near Derby in the Midlands in June and a £140m engine factory on Desade in north Wales. The Burnaston plant will come on stream in 1992 and is scheduled to be producing 200,000 cars a year by 1994-5. Eventually, said Mr Numata, Toyota might follow Nissan in exporting some of its UK production to Japan.

Burnaston will employ 3,500 people and the Desade factory 300. "I can confirm that our plans to build the two plants in the UK are not the end of our investment in Europe," Mr Numata said.

"We would like to see an opportunity to expand further in Europe in the long term," he said. "We are very confident that the UK is providing us with a very competitive base for manufacturing cars, particularly from the point of view of labour, management and engineering skills."

Another option is for the Burnaston plant to be expanded to take a second model range. This was unlikely within the next five years, said Mr Numata.

He refused to be drawn on which European manufacturers are seen by Toyota as potential partners and said that while he expected "only a very few" of Toyota's Japanese component suppliers to set up in Europe, it was likely that European companies seeking some key component supply agreements would have to sign technical collaboration agreements with Toyota's Japanese suppliers.

He said Toyota has sent teams of purchasing agents to some 500 component makers in Europe to discuss potential supplies. "We have found European suppliers very capable of accommodating us on quality and price," he said.

However, he indicated that the lead times for many of these companies to produce components is too long by Toyota standards, and that it would be necessary to speed up development times.

He refused to be drawn on the current row over how Japanese "transplant" operations in the UK should be treated by the European Community. France and Italy maintain that cars from these plants should be subjected to similar constraints as cars imported directly from Japan.

Irish relationship with UK disrupted by extradition row

By Ralph Atkins

ONCE again an extradition row threatens to spoil the frequently tense, sometimes tortured, seldom smooth, relationship between the UK and the Irish Republic.

The Dublin Supreme Court ruling yesterday against the extradition to Northern Ireland of two terrorist suspects who escaped from the Maze (pictured above), incensed the British Government and infuriated Unionist MPs and Conservative MPs.

But - even if the circumstances are different - the reaction has a familiar ring. Less than 18 months ago, Mrs Margaret Thatcher launched a scathing attack on the Irish government over the failure to extradite Father Patrick Ryan, an Irish priest wanted in Britain for alleged terrorist offences.

The Belgian Government - also attacked by the British Prime Minister - had declined to hand Father Ryan over to Britain and instead deported him to Irish Republic, his country of origin.

When Britain requested his extradition to Irish authorities for trial in the UK they were thwarted by the Irish view that no fair trial could be guaranteed to Father Ryan since British politicians had made public statements that assumed his involvement with the organisers of terrorism.

Only a few months before the Ryan controversy, an Irish district judge threw out a British extradition request for Mr Patrick McVeigh, wanted

in connection with a series of IRA bombings in London in the early 1980s.

That decision, too, was greeted with deep dismay and frustration from both Government and opposition MPs.

Mr Tom King, then Northern Ireland Secretary, described the decision as a "significant setback".

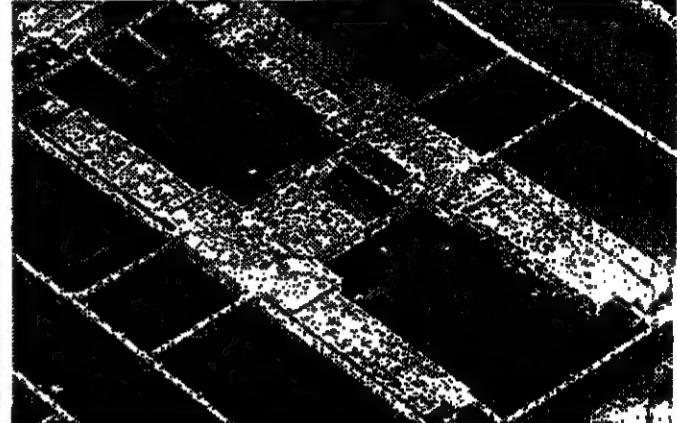
There have also been running disputes between the two governments over extradition procedures.

While both are always anxious to pledge themselves to the defeat of terrorism, the extradition of terrorist suspects has flourished on apparent technicalities.

If previous experience is any guide, the short-term result of the latest controversy will be a bout of "megaphone diplomacy" between the two sides. Mrs Thatcher's anger became apparent yesterday; Mr John Cope, Northern Ireland Minister of State, described the decision as "mistaken". The Irish Government is unlikely to remain mute for long.

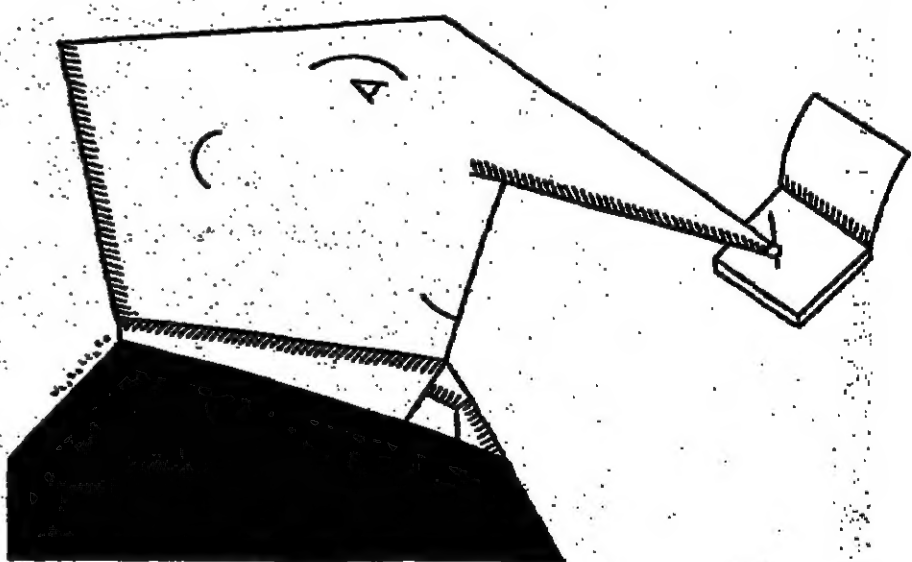
Longer-term, the damage will be measured in terms of its effect on the 1985 Anglo-Irish Agreement - a pact between the London and Dublin governments which many hoped would end public rows between them.

The Supreme Court ruling will be raised at the meeting of the Anglo-Irish conference next month but there is little chance that any material change to the decision will result.



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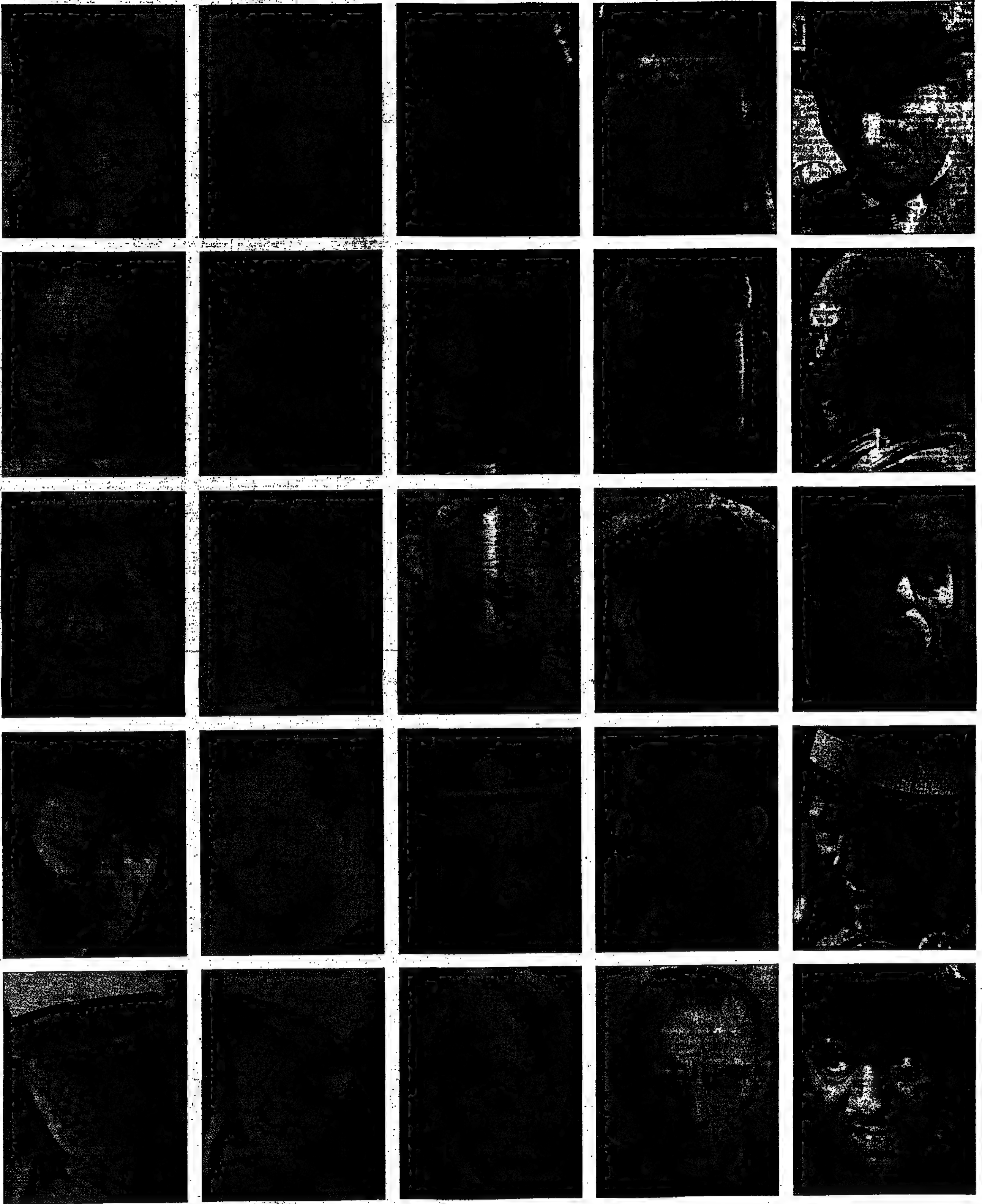
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MANAGEMENT

New York's municipal services

Looking for private answers

Andrew Jack reports on an initiative to improve the US city's long-term health

If a private car is stolen in New York City and the theft is reported to the police, the information will be laboriously processed nine times by hand.

To install an on-line computerised complaint system to do the same work would cost \$1.5m. That money would be recouped within a year and, once fully implemented, the system would save \$4.7m annually.

If it is a city government car that is stolen, however, some would argue that it is no bad thing; 14 per cent of New York's 22,000 official vehicles travel fewer than 10 miles a day. If the fleet were to be reduced by 1,604 cars, the savings would be \$43m a year.

These are just two of dozens of recommendations made last September in an ambitious study of New York's municipal government. If all the findings were implemented, an investment of \$203m in operations and capital over the period 1990-94 would produce direct savings of \$2,903m. If the principles laid down were applied more widely in the city, the gains would be greater still.

The conclusions come neither from internal staff, nor from a lobbying group. They were the work of the Private Sector Survey, a group of business executives who, at the instigation of the then mayor, Edward Koch, spent nearly 18 months developing strategies for improving the way the city - with its 330,000 employees and \$26bn budget - is managed.

There is no question that New York faces considerable challenges over the next few years. Demand for city services is rising dramatically, in areas like drugs, crime, homelessness, health care and infrastructure. At the same time, business relocation and a slow-growth economy are holding tax revenues well below forecast levels. At the beginning of the year, the city was facing a budget deficit of \$400m for the fiscal year.

But why did business become entangled with government? Inspired by the work of the Grace Commission in the early 1980s which investigated the Federal government and claimed better management could save vast sums, Koch asked Frank Cary, the retired chairman and chief executive officer of IBM, to do the same for New York. Cary began recruiting others, and ultimately received staff seconded by companies and financial

assistance from over 30 companies, worth about \$2m. Besides having IBM as an important client, management consultants Booz Allen & Hamilton agreed to take part "because we have deep roots in the city," says senior vice-president Edward Hearn. "We felt we had something to contribute because we work with municipalities around the world. We also like to do some collaborative *pro bono* projects because it is professionally challenging."

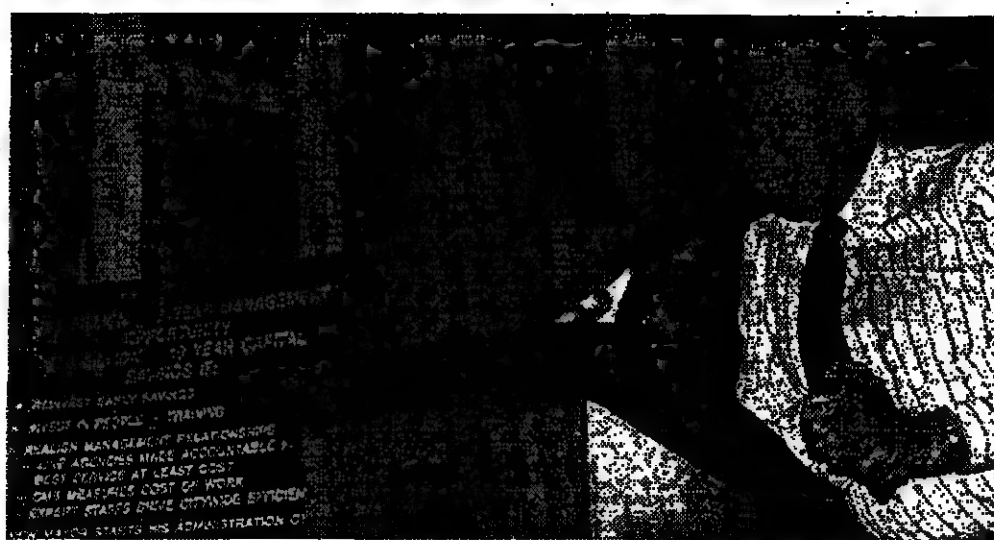
In the US, it is quite common for newly-elected officials to request an audit of their administration, "so they have a clean point of departure," according to one of the survey's executive office directors, Robert Clements, a senior manager with Price Waterhouse. But Koch's request was very broad, and came in his eleventh, and penultimate, year as mayor. For these reasons, "I can't imagine anything like this will ever be done again," says Clements.

During the first phase, launched in May 1988, consultants probed many areas of city government, identifying themes that they would study in depth. Six months later, they established 11 teams, each of which would concentrate on one topic. Four analysed specific agencies, and seven examined issues with city-wide implications, such as warehousing and information systems.

"We avoided programme issues such as drug treatment and instead looked at administrative management functions, where the private sector lessons would be more applicable."

"Our criteria were to find cost savings. Identify issues neglected because of organisational dynamics, and to focus on areas where the city could effect management change without amending legislation or causing major changes in union agreements," adds Clements.

The survey was "basically a management consulting study," explains Hearn. "We read, observed, and interviewed." There was also a very substantial data-gathering exercise, since information was sought that was not systematically collected by city agencies.



Paul Kofmehl (left), executive director of the New York Survey, and Ed Koch, former mayor

"Some of the survey staff were quite astonished by what we found," Clements says. "I was amazed by the lack of technology. Most things were done manually, or not very well on existing machines."

But the investigation did not always reflect badly on public management. Thinking that food provision was a likely area of waste, the survey brought in an expert from Marriott Corporation, the hotels group. But he concluded that the city was getting culinary services at extremely good rates.

"It was a bit intimidating at first, working in such a large, complicated organisation governed by so many laws and regulations," says James Holec, the survey's deputy executive director and principal at accountants Price Waterhouse. "Everybody was struck by the difficulty of managing the city, and by the high calibre of its managers."

Beyond the specific conclusions made by each work team, the general findings of the survey included: the cost of work performed is often not known; management performance targets are not assessed; accountability for operational results is not clearly established; cost/benefit discipline is not followed; and capital versus expense trade-offs are frequently overlooked.

The survey makes three key recommendations. The first

calls for an expansion of cost and performance management, to maintain expense control, but also to institutionalise performance management by evaluating activities against efficiency and effectiveness objectives.

The city's Office of Operations assembles over 2,000 indicators for its Mayor's Management Report, nearly 79 per cent of which measure work volume, and only just over 1 per cent assess the cost of work. "They don't communicate anything related to performance," says Stanley Schoenfeld, associate executive director of the survey, and a principal at KPMG Peat Marwick.

Second, the survey calls for a realignment of management relationships, to increase the accountability of each agency. This requires wresting power from the central Office of Management and Budget (OMB), which has dominated city management processes since the fiscal crisis of the late 1970s.

OMB, they argue, focuses on cost-containment, while the city now needs long-term investment policies to generate future savings. Finally, there is a need to reinvest in human resources, to create a better trained, more motivated and productive workforce. "Personnel has been viewed as a cost item, not an asset requiring investment," says Clements.

Overall, the Mayor's Private Sector Survey was well received. "Wherever there are opportunities to improve government efficiency, we should go after them aggressively," says Harvey Spector, deputy director of OMB. "It was a tremendous effort which raised a lot of fundamental questions," adds Anthony Shorris, Koch's commissioner of finance. "It really laid out an agenda for the next administration. A periodic review by people with a fresh perspective is never inappropriate. Any manager who thinks his operation is as efficient as possible is ready for retirement."

There are a very large number of improvements that can be made. Most senior public managers work 13-15 hours a day routinely. Cost management only has their attention for a limited amount of time. They also have to address tough policy questions, and political issues.

How sensitive to management issues are the political appointees at the top of the municipal administration? Anthony Shorris believes that this is much less of a problem than at other levels of government. "In the city, most commissioners are committed to public sector management, and relatively few are purely political actors."

No one questioned the validity of an analysis of public

management by businesses. Claiming that the majority of private sector managers has profit as a baseline is "in large measure nonsense," argues Stanley Schoenfeld. "Most monitor costs, not profit. There is no reason why public managers can't do the same."

Ironically, the mayor's Office of Operations was itself set up with seconded business executives in the late 1970s. It is the management indicators that they developed which are now being overhauled. Any system, it seems, deteriorates over time.

There were some questions about the reliability of figures - particularly estimated cost savings - quoted in the survey. One section, which examined the Health & Hospitals Corporation, has been received sceptically by some insiders who feel its analysis is too simplistic. And at least one recommendation has already been contradicted: the survey called for all personnel functions to be merged into one department, but the Office of Municipal Labour Relations was recently re-established as a separate agency outside the Department of Personnel.

A number of other findings, not surprisingly, picked up themes previously identified by the city. Shorris is quick to defend existing management improvements. "Our own internal process of squeezing the government, through more than 200 initiatives, has saved more than \$1m over the past eight years," he says.

Even where there is consensus over the reports' findings, implementation will not be easy. Koch's defeat, and his replacement by David Dinkins in January as Mayor, has stalled the survey's momentum. Politically, the new mayor, David Dinkins, has endorsed the survey, along with key public officials like the city controller and Manhattan Borough President.

But many senior managers chosen by the new mayor are only just beginning to establish themselves in the different agencies. Even if they accept its principles, they do so against the backdrop of the current fiscal crisis.

Responsibility for implementing the survey's recommendations has been handed to Harvey Spector, the newly-appointed director of the mayor's Office of Operations. "The survey will certainly be a part of my agenda," he says. "But in the near future, my attention is on the budget crisis, and preserving core services."

It's not whether but where you do it

Jimmy Burns on workplace smoking

The sea change affecting the attitude of British companies on the issue of smoking at the workplace will have many a symbolic manifestation today, Britain's officially-designated National No Smoking Day.

The organisers have enlisted numerous companies including British Gas, British Telecom and Marks and Spencer, which have agreed to participate in exhibitions and in the distribution of literature on the non-smoking issue.

In January, Ford, the car manufacturer, joined the list of companies which have introduced extensive non-smoking policies in response to a rising public consciousness about the increased risk of lung cancer for non-smokers from passive smoking.

There was a time not long ago when the image of smoke-filled boardrooms and dedicated secretaries hunched over ash-trays was prevalent. Increasingly, however, companies are adopting no-smoking policies in response to a rising public consciousness about the increased risk of lung cancer for non-smokers from passive smoking.

According to David Simpson, director of Action on Smoking and Health (ASH), "there has been a quantum leap" in the interest which UK companies now show in developing no-smoking policies.

It was in response to such an interest that ASH, with the backing of the department of employment, has launched its ASH Workplace Service (AWS) to advise companies on how to implement effective no-smoking policies.

Mark Flanagan, AWS's director says: "We found ourselves getting hundreds of enquiries per month from employers on the issues. There seemed to be a clear need for a professional advisory service to avoid the potential pitfalls, to get the language right."

According to Flanagan, some companies have caused more problems than they have resolved by introducing no-smoking policies too quickly and without adequate consultation. The result has been increased tension on the shop floor and, in a few cases, angry legal exchanges between employer and employee over

alleged victimisation. "We think that it is essential not to go for the big bang approach," says Flanagan, whose client base now includes the public sector and private companies employing from 100 to more than 3,000 employees.

Instead, AWS has adopted a five-stage strategy in dealing with companies which it believes succeeds in ensuring that the shop floor is both smoke-free and harmonious.

● Consult workplace formally with an attitude survey.
● Set up a representative working party to draw up a policy.
● Raise the non-smoking issue correctly. "The important thing is not to talk about whether employees smoke but where he or she smokes," says Flanagan.

The emphasis, according to Flanagan, should be on the health hazards of passive smoking as identified by the Government's appointed independent scientific committee. Its report suggested that the increased cancer risk to non-smokers from passive smoking is between 10 and 30 per cent.

● Draft a policy that "makes it clear that it is going to honour the right of non-smokers to breathe smoke-free air but, where possible, also takes into account the needs of those who smoke."

● Implement the policy with adequate advanced warning which AWS recommends should be a minimum of twelve weeks to allow for reorganisation of working patterns and medical counselling.

Once it has helped draw up a policy, AWS draws on the expertise of the national charity QUIT. Funded by the Health Education Authority, QUIT's counsellors visit companies and organise group sessions for employees with particularly bad nicotine addiction.

Nevertheless, the feedback from a majority of companies that have adopted no-smoking policies is that morale has been raised rather than lowered.

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TECHNOLOGY

Clive Cookson and Bernard Simon examine the commercial viability of recycling discarded tyres

The business of burning rubber

By drawing attention to the pollution hazards of burning tyres, a huge fire at a used-tyre storage depot south-west of Toronto has spurred the search for productive uses for the 300m tyres discarded in North America each year.

The fire, near the farming community of Hagersville, was put out two weeks ago, after burning for 17 days. It engulfed 12m-14m tyres and was the largest of its kind in North America. But thanks to favourable geology and firefighters' efforts, the blaze was not the environmental catastrophe many experts initially feared. More than 150,000 gallons of oil which seeped out of the burning tyres were collected and removed to a nearby refinery.

Few alternatives have so far been found to the ugly and potentially hazardous storage depots for used tyres such as the one at Hagersville. The crux of the problem, according to David Morgan, chairman of the Rubber Association of Canada's task force on scrap tyre disposal, is that "everything we do to make them last longer on the road makes them tougher to handle as a waste product."

The problem of disposing of used tyres has been compounded by the growing reluctance of landfill operators to accept them. Tyres are not biodegradable. They do not settle easily on a dump, they take up a great deal of space, and street rats and mosquitoes.

Except for trucks, tyre retreading has been a dying business since Japanese imports brought down the price of new tyres and the advent of the steel-belted radial required more sophisticated and expensive retreading equipment.

Furthermore, no way has yet been found to unscramble the different varieties of carbon black, sulphur and other chemicals which are bonded together when tyres are vulcanised. In other words, it has so far been impossible to extract the original ingredients and recycle them into new tyres.

Efforts to recycle tyres into other products, such as floor mats, crash barriers and even ice hockey pucks, have had limited success. Only about 30 per cent of a tyre is suitable for these products and the proportion of tyres recycled has remained between 4 per cent and 7 per cent for the past decade.

A more substantial outlet could be the use of ground vulcanised rubber as an additive

to asphalt. Tests are currently being conducted on sections of road in New York state. Experts estimate that about 10,000 tonnes of ground tyre crumbs the size of sand grains, would be required for each kilometre of tarred road.

Air Products and Chemicals of Allentown, Pennsylvania, is pursuing a technically more sophisticated approach to tyre recycling. Its researchers are developing a new chemical technology for combining tyre rubber with other polymers. The tyres are ground to a fine powder and then treated with a mixture of reactive gases such as fluorine. The gases modify the surface of the rubber, so that it bonds firmly with a second polymer. The resulting "composites" material is much stronger than a simple mixture of polymers.

The Air Products research is focusing first on rubber-polyurethane composites. By varying the ingredients, an extremely broad range of physical properties can be engineered into polyurethanes, says Bernard Samman, the company's composite products manager. The target markets for these materials include shoe soles, carpet underlay, conveyor belts, car door and window seals, adhesives and sealants, flexible foam and even waterproof liners for garden ponds.

The researchers plan later to investigate combining surface-modified tyre rubber with other polymers, including nylon, polyester, epoxy and phenolic systems.

Although Air Products has demonstrated its surface modification technology, a lot of work still has to be done to establish the commercial viability of the process. As Samman says, manufacturers are not used to adding particles to polymers. "Manufacturers need to be educated on how to process these materials and what the benefits are. End users need to be assured of the long-term acceptability of these new composites."



Tyre fire at Hagersville, Ontario burned for 17 days

If the Air Products scrap tyre process is commercially viable, plants with processing capacities of 1m tyres per year and costing about \$5m each would be established near the main sources of old tyres - large metropolitan centres. The company estimates that up to 5m tonnes a year in the US could eventually be recycled through its surface-modification technology.

The US Department of Energy is partly funding the Air Products research, because rubber-polymer composites require significantly less energy to manufacture than virgin polymers.

Scrap tyre recycling via this technology represents the

greatest potential for energy savings of all known tyre recycling methods, Samman says. The total energy required to collect, grind and surface-modify scrap tyres is 9,000 BTU per pound, compared with the 30,000 BTU required to produce one pound of polyurethane resin. So each pound of polyurethane substituted with one pound of surface-modified rubber will save 8,000 BTU. By comparison, the energy derived from burning tyres is only 14,000 BTU per pound - just 20 per cent of the energy required originally to make the tyres.

Even so, many experts believe the best use for old tyres is to release their energy by burning. An average tyre

contains the equivalent of 25 gallons of oil - enough fuel to heat a medium-sized house for a day.

The world's largest tyre-fired power station has been running successfully for two years next to the world's biggest used-tyre dump near Modesto, California. The plant burns 45m tonnes a year and generates 15 MW of electricity, enough to meet the needs of 14,000 homes. And useful steel, zinc and gypsum are extracted from the ash.

Oxford Energy, the plant's owner and operator, is building a second tyre-burning power station in Sterling, Connecticut, with an input of 10m tonnes per year and an electrical output of 80 MW. The company plans to build six to eight similar plants in the US by 1995. But even they would consume only one-third of tyres discarded by Americans every year.

Sceptics say the biggest drawback of these plants is their cost. Besides the sizeable capital investment - \$100m cut - operating costs are at least double those of conventional coal-powered power stations.

Old tyres also fuel cement kilns in Europe and the US, and pulp and paper mills are potential users.

But the Canadian cement industry has so far been unable to convince the authorities that tyres are a clean substitute for coal, or that there is not a better use for the large quantities of oil contained in tyres. Cement producers say that tyres could replace about 20 per cent of the coal used to fire their kilns.

Although an uncontrolled tyre fire emits billows of black smoke and numerous foul-smelling and toxic substances, Morgan says that "any reasonably sophisticated emission control system, associated with a solid fuel combustion system, will capture the emissions from tyre-derived fuel."

At Oxford Energy's Californian plant, very high furnace temperatures (above 1,200 deg C) and sophisticated pollution controls ensure that the stringent air quality standards are met. A fine mist scrubber absorbs sulphur-containing gases; ammonia is injected to remove nitrogen oxides; and filter bags made of ultra-fine Gore-Tex membrane trap even the finest particles of ash.

The Hagersville fire has undoubtedly strengthened the case that controlled burning of tyres is safer than storing them.

Winning formula for fast cars

Williams Grand Prix Engineering, which develops and designs Formula One cars, has signed a technological partnership with ICI that will introduce some of the most advanced aerospace materials into racing cars.

"Formula One racing is as demanding as aerospace," says David Clark, director of ICI's Wilton Materials Research Centre, where 1,200 staff work on advanced materials. He uses the term "molecular knitting" to describe the intimacy of the bonding between matrix and reinforcing fibre in its toughest composites.

ICI's advanced materials, including carbon-fibre composites, are used extensively in military aircraft such as the US B2 "stealth" bomber, not least because they are difficult to detect by radar. But Formula One offers ICI a test-bed free of the strict regulations that apply to flying. Clark says the companies are committing nearly \$2m to their search for better materials.

The 160-strong Williams team, operating at what it sees as "the sharper end of auto

technology," can manage in months what it would take aerospace engineers years to get into service, says David Williams, general manager responsible for the firm's technology base. He wants to see the company used increasingly as a "prototyping" agency. "We can provide a superb test environment."

The companies, working with the Science and Engineering Research Council under the Government's Link initiative, have succeeded in replacing a forged steel gearbox component with one made from carbon-fibre reinforced thermoplastic. The gear selector fork has run without discernable wear in the equivalent of two Grand Prix, with the oil temperature at 150 to 175 deg C, says Williams. Although the part was 63 per cent lighter, the driver was unaware of the change.

The selector fork is made from a new composite of polyether ether ketone and carbon fibre, called AP2. According to Williams, the cars will soon want seven- or eight-speed gearboxes, meaning more selector forks and a greater

need for weight saving. He also claims that manufacturing costs are cut by 30 to 40 per cent and says the component will last longer.

The companies have also picked three bigger parts - all highly stressed - for manufacture in carbon-fibre composite. They are the wheels, the drive shaft and the rear underpanel.

Clark says the wheel is the biggest challenge, especially if they attempt to design for the chosen composite, rather than simply substituting it for the 5kg of die-cast magnesium alloy. They want a wheel that is just as stiff but is lighter and longer-lived.

With the drive shaft, which is subject to very high shock loads, the aim is to save weight.

The underpanel, a diffuser for the exhaust, is subject to severe temperatures as well as abrasion. Williams already makes it in carbon fibre, about 100 of them per racing season - but believes there is scope for improvement in wear rates and cost.

David Fishlock

West heads East in search of ideas

Western businessmen sanguine about opportunities for freer trade with eastern Europe are probably tempted first to think about the commerce in concrete things - manufactured goods, shares in factories or hardware-dependent technology.

The assumption (correct in many cases) is that the preponderant flow will be from West to East. What may be overlooked is the potential for commerce in industry- or engineering-related ideas.

Some westerners are now getting a better grip on what could prove to be the most productive exchanges of all. Early inroads have been made into the intellectual territory of Soviet inventors in the mineral sector.

George Miller, president of the Mining Association of Canada, says: "The Russians are long on science and short on implementation. They recognise that their mines are behind the times. For various reasons they have not been able to translate good ideas into practice."

Developments shown to him

in the Soviet Union include:

- Innovative reagents.
- Computer control of grinding processes.
- A Hydrometallurgical process for treating non-ferrous metals that does not release sulphur dioxide, one of the chief compounds in acid rain, as a byproduct. Instead, the impurity is removed as elemental sulphur, the yellow powder, which itself can be sold commercially. In a time of "green" issues, the benefits are obvious.
- Improvements to beneficiation processes (those that concentrate the amount of metal in ores from 1 to 2 per cent to 30 to 50 per cent). Academic researchers have tested a dozen or so advanced industrial processes "all of which work but none of which is in commercial use."

The dissemination of industrial ideas is still not all it might be, however. Giamost has not yet liberated every technician or manager who knows he can improve techniques and processes under his control. One manager who was able to upgrade the operation of blast furnaces at his mine

was later not permitted to publish a scientific paper on the subject.

Despite the handicaps, westerners can do a number of things to help ensure that they not only absorb the best available concepts from their eastern counterparts, but also get their own into circulation in their areas of interest.

Consultants and others with ideas of their own should consider linking up with an existing joint venture. They gain the advantage of getting paid directly out of the exportable hard currency earnings of the foreign partner while communicating first hand with experts in the host country.

"You've got to tap into the unexploited brains. Be prepared to do deals for even semi-finished ideas," says Miller. "Time must be spent finding and talking to the people who are at work on specific problems."

One of the senses of the word glasnost is "disclosure." If enough of the right ideas are disclosed to the right people all may stand to gain.

Peter Miller

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No damages for buyer of Lloyd's surveyed ship

THE MORNING WATCH
Queen's Bench Division (Com-
mercial Court).
Mr Justice Phillips:
February 15 1990

THE BUYER of a Lloyd's-classified ship cannot claim damages for economic loss suffered as a result of his reliance on a routine survey carried out on the vendor's instructions, in that though reliance by potential purchasers was foreseeable by the surveyor, the Lloyd's objects concern safety not protection of purchasers and, in the absence of factors giving rise to proximity of relationship, it owes them no duty of care.

Mr Justice Phillips so held when giving judgment for the defendant, Lloyd's Register of Shipping, on a claim by Mariola Marine Corporation, buyer of the Morning Watch, for damages for negligent misstatement by a Lloyd's surveyor.

HIS LORDSHIP said that Morning Watch was a steel-hulled motor yacht built in 1962 according to Lloyd's Rules.

She was regularly surveyed and was classed 100A1. The Rules required biennial surveys with a special survey every four years.

On October 19 1984 the owners' agents instructed Lloyd's to carry out a special survey before sale of the vessel. The survey was conducted in November. An interim certi-

cate was issued recommending that she remained as classed and be credited with passing special survey when certain repairs were carried out.

The interim certificate was sent to the agents. They issued particulars offering Morning Watch for sale for £220,000, stating that she had "passed current special survey."

In February 1985 Mariola, a US company, offered £185,000 for Morning Watch "as is, where is." The purchase was completed in March.

Some of the surveyor's recommendations had not been carried out. He agreed with the captain to issue a certificate saying she had passed special survey, providing Mariola confirmed outstanding items would be dealt with during refit. Mariola confirmed the works would be carried out and an interim certificate was issued on March 28.

Subsequently extensive and serious corrosion of the steelwork was found in the main and the boat deck. The cost of work to the boat deck alone was £128,450 (£28,450).

Repairs were completed in October 1986. The vessel was chartered during the 1987 season. At the beginning of 1988 Mariola put her on the market. She was sold for £700,000.

Mariola claimed against Lloyd's for economic loss suffered as a result of relying on misstatements negligently made by the surveyor.

The question was whether,

when surveying a vessel, a classification society owed a duty of care not to cause pecuniary loss to persons other than owners who were liable to rely on the survey results.

Mariola contended that Lloyd's owed a duty of care which it broke in November 1984 when the survey was carried out without proper skill and care, and in March 1985 when the surveyor issued a certificate provided Mariola confirmed it would deal with outstanding items.

Lloyd's contended that no claim could be founded on events in March, because Mariola was then legally committed to complete the purchase.

The term "as is, where is" had a clearly recognised meaning in a contract of sale. The purchaser took the object as he found it without warranty as to quality or condition. Accordingly, nothing done or left undone by the surveyor in March 1985 had any adverse consequences on Mariola. The relevant time for consideration of the alleged breach of duty was November 1984.

It was reasonably foreseeable by Lloyd's that a purchaser would be influenced by the special survey results when considering whether to buy the vessel. However, foreseeability alone would not give rise to a duty of care where the harm foreseen was limited to economic loss. There must be a sufficient degree of proximity

between plaintiff and defendant to give rise to such a duty of care. There was no universal test to determine whether the necessary proximity existed.

The principles deduced from decided cases were that (i) where the defendant voluntarily assumed responsibility to the plaintiff and the plaintiff relied on that assumption, sufficient proximity would often be created; but (ii) voluntary assumption of responsibility was not an essential element of necessary proximity; (iii) where the relationship had many though not all the incidents of a contract, sufficient proximity might exist; (iv) while foreseeability of reliance would not automatically give rise to a duty of care, it must play an important part.

Miss Bucknall for Mariola submitted that the relationship between Lloyd's and those who contemplated the purchase of classed ships was sufficiently proximate to give rise to a duty of care.

Lloyd's had charitable status. Its objects, according to its Rules, were to secure high technical standards of construction, maintenance etc "for the purpose of enhancing the safety of life and property both at sea and on land".

Its general powers included the power to obtain a faithful and accurate classification of mercantile shipping "for the use of merchants, shipowners and others". That power recognised the fact that not merely

the owner of a registered ship, but others who had a pecuniary interest in its safety, would rely on its classification.

However, the primary purpose of the classification system was "to enhance the safety of life and property" rather than to protect the economic interests of those involved.

The relationship between Lloyd's and a potential purchaser of the classed vessel did not reflect any statutory scheme to protect purchasers. The Lloyd's objects were not primarily to protect such interests. There was no relationship akin to contract. There was no voluntary assumption of responsibility to purchasers.

To accept the general proposition that Lloyd's owed a duty of care to those foreseeably liable to suffer economic loss through reliance on negligent classification would be to advance the law of negligence. The proposition was rejected.

Miss Bucknall submitted that on the particular facts of the case there was sufficient proximity to give rise to a duty of care. The facts she relied on were that before the special survey was completed Lloyd's knew the ship was being sold and made known that her class would be maintained.

She said those facts were analogous to *Smith v Bush* and *Harris (1988) 2 WLR 790* where the House of Lords held that a house valuer, instructed by a prospective mortgagee for mortgage purposes, owed a

duty of care to the purchaser who paid the valuation fee.

There was no question of Mariola having paid Lloyd's survey fees. Thus a factor emphasised in *Smith v Bush* was missing. Nor could it be suggested that the survey was carried out for the sole purpose of selling the yacht, or for the benefit of a specific individual purchaser. Mariola was not on the scene when the survey was ordered.

In *Smith v Bush*, Lord Griffiths said that "the necessary proximity" arose from the surveyor's knowledge that the "overwhelming probability" was that the purchaser would rely on his valuation and the fact that the purchaser was willing to pay the fee.

It was possible that whoever decided to buy Morning Watch would do so on the strength of the special survey but it was not an "overwhelming probability".

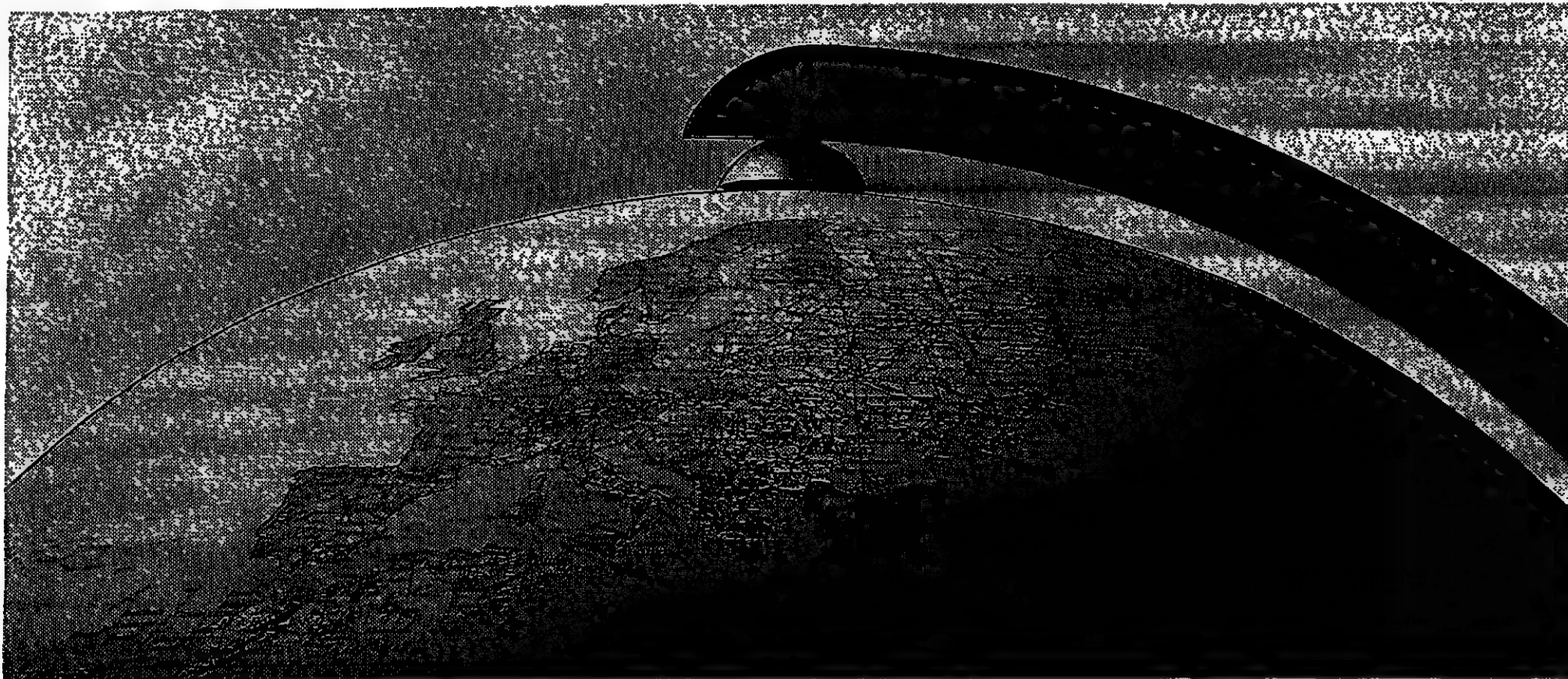
Mariola had failed to establish that Lloyd's owed it any duty of care when the special survey was carried out in November 1984.

The requisite proximity was not established. The claim was dismissed.

For Mariola: *Belinda Bucknall QC* and *Luke Parsons* (Inglis Brown Bennison & Garrett).

For Lloyd's: *Julian Flaux* (Taylor Johnson Garrett).

Rachel Davies
Barrister



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FINANCIAL TIMES
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ARTS



TELEVISION

The deadly arm of Uncle Joe

We forget that parliamentary democracy is an abnormal form of government. For most of history people have been ruled by autocrats who were automatically succeeded or violently toppled by other autocrats. In spite of what we say about the ancient Greeks inventing democracy, most of the city states were most of the time governed by tyrants. (even the word has a weaker sense in Greek than it does in English).

What history does show is that democracy, ancient or modern, is all too easily corrupted. Not in our own enlightened form of completely proof against authoritarianism. So we can never learn too much for our own good about the processes of power and the psychology of the power-hungry. What dictators like Hitler or Ceausescu - did is no longer seriously disputed. But why they do it and how they are able to persuade everybody else to let them do it is a far more difficult question to answer. To say that they are mad is not enough. If they are mad, then the same madness can infect many thousands of others.

The best example of a modern tyrant, a man who was worshipped by his people even as he slaughtered them, is of course Joseph Stalin, the subject of a three-part Thames Television biography that began last night.

In the week that sees the Lithuanians attempting to commit the ultimate sin of perestroika - secession from the Soviet Union - this excellent film is timely as well as topical. Nothing that happens in the Soviet Union today can make sense to us unless we understand the system which Gorbachev is trying to dismantle: Stalin's

system. The bureaucratic state he created was, and is, a perversion of Lenin's revolution - some would argue the inevitable continuation of it. But as this Thames documentary makes vividly clear, "bureaucracy" is a feeble name for it. The *nomenklatura* is not merely an administrative structure that fails to produce the goods. It is not only a system of patronage for corrupting perks - housing, food and trips abroad - in a country of desperate shortages. It is also a way of life. (under Stalin a way of death) dedicated to suppressing initiative and dodging responsibility. It has its own jargon in which "no problem" means "you must be joking" and "there are certain negative aspects" means "this is a monumental disaster".

Yet even within this system, even in the nadir of Brezhnevite stagnation, you could find good men and women, doggedly clinging to the socialist utopian ideals long after their leaders had become utterly cynical. And that, it seems to me, is the central conundrum of Stalin's story.

Last night's episode explained how the militant young ex-seminarist from Georgia rose, via the endorsement of Frunze, to his post of general secretary of the Party. We saw the ailing Lenin in a deckchair, repenting that he had promoted Stalin so far; the ruthless but flexible ideologist giving way to a man even more ruthless, but more pragmatic, apparently, with ideas of any sort.

The narrative, read by actor Ian Holm, maintained the pace and power of the dramatic opening credits. Some of the star witnesses collected by the Thames team from among 150 interviewees made their first

appearance. They were supported by archive film (some of it extracted with difficulty and not seen before in the West) in turn sinisterly and movingly justifying the commentary. There were the inevitable horror pictures - in this story no one can complain they were out of place - and the equally inevitable American academics (to reflect some funding from the US). But given the complexity of these early years of revolution, episode one was controlled, graphic, convincing and even-handed.

If there was something missing it was a psychological portrait of the man himself. Was the shrewd Asiatic really the "grey" man one person remembers? Again, I wanted to know more about the effect on Stalin of the early death of his first wife Ekaterina. He is said to have told a friend: "When she died all my warm feelings for people died with her."

Naturally, Thames interviewed Svetlana, his daughter by his second wife (who committed suicide). Svetlana has already described her father in *Twenty Letters to a Friend*, but on television she proved a curiously weak witness.

Later in the series we hear from Stalin's bodyguard, from his official biographer, and from a member of the commission set up after Kirov's murder, who testifies for the first time that Stalin was behind the assassination of the "traitor" from Leningrad. But when he talks of the private Stalin, the man who in real life was small, narrow-shouldered and scruffy but who terrified his craven circle by sudden changes of mood from witty boozier to ranting, frothing yellow-eyed monster.

As it progresses - you will find the second episode more gripping still than the first - Stalin becomes increasingly the story of the dictator's victims and their struggle to come to terms with their suffering, ignorance or misdeeds.

Perhaps 60m Soviet people died of famine, of hard labour in the Gulag or in the war - the war with Hitler which gave Stalin a new lease on life. Yet one camp inmate admits that he cried when he heard of Stalin's death. Later, the informer Valentin Astrov, now 92, chokes as he describes his part in denouncing Bukharin, one of the most important victims of the show trials. "The idea was that we did it for the sake of the Socialist Motherland," he blurts. According to the researcher who interviewed Astrov, the old man aged 20 years in front of the camera as his own confusion came tumbling out. There is time here only for snapshots.

In other words, one could have done with a fourth episode bringing us up to date with the current state of the tyrant's children and for those few apologists still ready to defend him publicly.

In episode two we meet a pretty, middle-aged woman who grew up in the camps. She was allowed more time than the programme out in the way they did. There was no advance publicity and it struck at the lowest point of the viewing week when even Mary Whitehouse was safely tucked up in bed with a cup of hot cocoa. But I thought Melvyn Bragg was more than usually bland in his introduction, and I noticed that he skipped off screen as quickly as he could.

This is the kind of reportage which does best and I doubt if Stalin will easily be surpassed. Keep watching.

The shockometer, if the rent-a-quote outrage in the next morning's papers was anything to go by.

For those of you who missed it - the vast majority I suspect - this was a homosexual sex fantasy brilliantly danced/mimed by four men of the DVB (gododdit) Physical Theatre. It was certainly "disturbing" as the voice-over warned us. It was also erotic, in the way most ballet and modern dance is erotic, but (speaking for myself anyway) erotic in a decidedly queasy sort of way. I would not have called it pornographic, (although it got uncomfortably close when one dancer exchanged his Y-fronts with the corpse of another) but it was frequently brutal and finally, not far short of macabre.

To complicate, as some people have, that *Dead Dreams* promoted homosexuality (and straight after the Dame Edna show, too) is very wide of the mark. If ever there was a public health warning that promiscuous male homosexual encounters can be brutal, solipsist and deadening, this was it.

Having decided to take the gamble to screen this *dance macabre*, based on the story of mass murderer Dennis Nielsen and originally mounted at the Royal Opera House in 1986, LWT were wise to put the programme out in the way they did. There was no advance publicity and it struck at the lowest point of the viewing week when even Mary Whitehouse was safely tucked up in bed with a cup of hot cocoa. But I thought Melvyn Bragg was more than usually bland in his introduction, and I noticed that he skipped off screen as quickly as he could.

Another kind of history, TV history, seems to have been made on Sunday night. IWT's South Bank Show featured *Dreams of Monochrome Men* and recorded a new high on

Yours, Anne

LIBRARY THEATRE, MANCHESTER

This musical drawn from the diary of Anne Frank has had revivals in America since its off-Broadway launch in 1985. The writer End Futerma has revised it for a European premiere in Manchester. Futerma's book and Michael Cohen's music have produced some very strong moments, a sometimes flagging dramatic pace, and a show expertly tailored to catch the claustrophobia and emotional compactness of the original story.

Chris Kluman's design for the secret annex hidden behind a false bookcase where eight Jews lived hidden for two years in Amsterdam, serves to underline the strain on two families and a single man in a daily régime where, in the working hours of the adjacent office, talking was forbidden, shoes could not be worn, the WC and sink not used.

The abrasive proximity is well conveyed. Anne herself is exuberant to the point of bumptiousness - the show

does not sentimentalise her, even when discussing the mysteries of sex with the boy Peter, another fugitive. Siân Reeves plays with astonishing assurance, looks like Anne, convinces as a 14-year-old and sounds like a young Petula Clark with a dash of Julie Andrews (watch that tendency please.) A six-strong band on a platform above the stage accompanies much of the dialogue. The musical idiom relies on the surging minor-key sub-Puccinian ballad style, but finds an individual tone for a nostalgic ensemble as well as a Jewish religious celebration. The only dud is a dull and portentous number for the Frank parents.

As a series of vignettes the piece works well enough, aided in Roger Haines' direction by strong performances, notably from Judith Bruce as the Franks' fellow-hider who clings to her old fur coat as the only sign of what she was and Anna-Juliana Clare as Anne's

elder sister, strong-voiced, long-suffering and scruffy, every inch the exasperated older daughter.

After about 70 minutes the tension sags and revives only sporadically in the remaining half-hour. The suspense as the fugitives suspect they are being betrayed is defused in an ensemble that constantly asks (once should be enough) "What was that?" of a noise outside. More successful is the excited "When we are free," when the BBC news of the allied invasion conjures images of hot baths and cream cakes.

The conclusion cannot fail to move. Mr Frank, who would be the sole survivor, tells us of the fate in store for each character as he or she leaves the stage. Cumulatively, then, a workmanlike, professional and heartfelt piece very well done; but one that curiously lacks a centre.

Martin Hoyle

Daphne

QUEEN ELIZABETH HALL

Having spotted a golden opportunity, the amateur Cheltenham Opera Group seized it on Sunday with tremendous credit. Richard Strauss's opera *Daphne* is more than 50 years old, and yet it has never been performed in London. Commendably, the COG decided to give it a concert performance. Better still, it secured the distinguished Strassman Norman Del Mar to conduct it, and with a sterling, mostly young cast, he led a performance to remember with gratitude.

Such a rare house has had any reasons for leaving *Daphne* aside, they are probably its one-act form, its reputed shortage of stage action, and the tricky *comp de théâtre* required at the end - when the mythical heroine turns into a laurel tree. Those are not problems for a concert performance; but assembling an

adequate cast is still a challenge. Daphne's role is long, difficult, and high-singing, answered by two strenuous tenor roles which also lie high, and the more modest part for Daphne's mother Gaia descends to notes which only rare contraltos can reach.

The COG cast was altogether admirable. Perhaps Teresa Cahill's lovely soprano is now too warmly mature to limn the ideal Daphne, whose sexless immaturity is central to the plot, but who would argue with such a ravishing sound and such grace of phrase? As the marauding Apollo, Kenneth Woolman was awesomely secure. Justin Lavender used his smaller tenor with such intelligence that his Leukippos, Daphne's disappointed swain, escaped any trace of the wimpishness the role seems to invite. Daphne's parents, a div-

er-god and an earth-goddess in sonorous multi, were a fine pair: as Penelope, the bass Brian Bannatyne-Scott poured out rich, even tone, and Hilary Summers was an uncannily effective, penetrating Gaia.

All the smaller parts were much more than adequately taken care of, particularly Helen Astrid's bright little soubrette, and Bryan Kesselman's strong musical purpose and characterful timbre marked him out for more ambitious studies than First Shepherd. The Cheltenham chorus carried on their shepherd revelries with a will and Del Mar gave the score sumptuous, searching treatment. Above all, the work seemed to carry through beautifully as an opera: why have the big houses been so leary of it?

David Murray

Ruggero Raimondi

BARBICAN HALL

Perhaps this kind of European cultural event will do the rounds more frequently in future. To mark the 25th anniversary of his career the Italian bass Ruggero Raimondi is touring 25 cities in Europe with a concert of operatic arias accompanied by the students of the Moscow Conservatoire Orchestra.

Since the war there has been a noble line in Italian basses, singing such figures as Siegfried and Rossini's L. Raimondi has arguably built a career with a higher profile, though that is largely thanks to his film appearances. After his long absence from opera in London, it comes as a surprise to find oneself face to face

again with Loscy's Don Giovanni.

In the intervening years the singer's basic style has changed little. This programme showed that he still aims to phrase with a fine legato at times when other basses are tempted to rant, though that should not be taken to suggest that the singing was free from blemishes. Early in the evening there was a lot of sagging under the notes and top notes were excessively cautious.

In that respect it is salutary to recall that Christoff, at the end of his career, was far more thrilling in a very similar programme at Covent Garden. For Raimondi the best of the evening came with stirring

accounts of the scenes from *Attila* and *Ernani*. The aria of *Don Carlos* was sung in an unexciting but properly sombre manner, while the death scene of *Boris Godunov* added a final touch of the theatre.

The orchestral playing under Leonid Nikolaev was happily full of theatricality. A selection of favourite orchestral excerpts from Russian and Italian operas, delivered with discipline and élan, kept the spirit up between the vocal solos. The tour moves on to Birmingham and Edinburgh.

Richard Fairman

Walter Klien

WIGMORE HALL

Klien's London recitals seem to have become infrequent of late. It was splendid to be reminded on Sunday afternoon of the virtues of his playing and to find his interpretative powers if anything sharpened by the years. The attendance was ludicrously small for a pianist of his eminence and it was another sad testimony to the power of recording companies in shaping programming and hyping artists: Klien is not fashionable, does not make

many discs, and so lacks the profile that sells the seats.

Those who did turn up heard exemplary performances of Mozart (the C minor Sonata K.457), Janáček (the Sonata L.X.1905), Berg and Schubert (the A major Sonata D.959). I don't recall hearing Klien's Janáček before, which he shapes vividly, not at all favouring the wispy half-tones of some pianists in this work, while the Berg Sonata emerged as a tragedy constructed on lines, with the main theme larded with eloquence and the ending a wonderfully controlled extinction.

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Andrew Clements

My Name, Shall I Tell You My Name

YOUNG VIC STUDIO

Christina Reid's touching short radio play, given its stage premiere at last year's Dublin Festival, forces one to re-examine the gift between two media. Here is a two-part, beautifully played Des Braidon and Patricia Doherty as an old Ulsterman and his adored granddaughter, in which the characters only meet up once. For the rest of the evening they sit at opposite sides of the stage chewing over their memories of each other - in her case reflecting on the historical wedge that has driven them apart.

He is a patriotic Orangeman and

Boysie veteran who keeps his medals and memories in an old biscuit tin; she is a bright young artist who moves to London and marries an Asian, thus closing her grandfather's eyes to herself for ever. The play opens with the silhouette of an old man and little girl hand in hand as a voice-over lingers over their closeness; it ends with each locked in their separate loneliness, the victims as much of general social attitudes as of individual bigotry. The huge paradox of the Ulster protestant mentality, reflects the young Andrea wistfully, is that they can be more British than the British while at the

same time regarding every departure for the mainland as an act of betrayal. Brought up to recite the names of the glorious dead, she cements that of her grandfather by being arrested at Greenham Common.

Reid is an astute and compassionate portrait of her country's follies, who has the invaluable knack of making her characters funny without ever allowing them to become dislike. Even the old man's appalling prejudice has a certain dignity, which reaches a crescendo as tears in the eyes of one who never cries, he hurls out the patriotic songs of his youth, unaware that on the other side

of the Channel is granddaughter is also trying not to cry, in a bitter confirmation of her stoical Ulster upbringing.

Pierre Campos, the Frenchman who founded the touring Yew Theatre Company in County Mayo three years ago, directs with a sympathy that allows the resonances of the play full rein without actually vindicating it as a piece of stage drama. If you close your eyes and listen to the flow of language and memories, you see more than you do with eyes open.

Claire Armitstead

ARTS GUIDE

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's sally ocean-going 1930s musical has four or five new songs and a new cast. (Theatre Royal, Haymarket, 8pm).

Jeffrey Bernard is Unwell (Apollo). Tom Conti has taken over from Peter O'Toole as an alcoholic journalist who embodies a fatalism, say-say life force while committing public suicide by vodka. Keith Waterhouse has attached a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. (427 2683).

Another Time (Wyndham's). New Ronald Harwood play, directed by Keith Manton, about a white South African family in Cape Town and Media Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support. (287 1116).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber opera derived from David Garnett's 1955 novella. Musically intense and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybernetic innocence. A probable, but unimpressive, hit. (282 5972).

New York

The Sound of Music (New York State). The New York City Opera presents a new production of the starring Debby Boone as Maria and Laurence Guittard as Captain von Trapp. Ends April 22. (422 6200).

Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American lady lawyer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional favour of the period. (235 8200).

Cyber (St James). This 20th anniversary production does more than revive a rich, vivid musical; it also introduces a new ballad in the Merzban tradition, Tyne Daly, as the busy, tender and tumultuous, who shamelessly leads her daughter into her life while rejecting a personal life for herself. (245 0125).

Grand Hotel (Marble Arch). Tommy Tune, Broadway's present musical director, directs this remake of the Carlo film to at least shake the bones of this past depiction of lives crisscrossing in an elegant, but somewhat random setting. (245 0125). Sweeney Todd (Circle in the Square). An intimate production of the Southam-Whitaker musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street. (235 8200).

cast led by Philip Bosco and Victor Garber (235 8200). Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic evocation of history and pathos brings to Broadway lessons in pageantry and drama. (235 8200).

The Fantasticks (Rue Morgue). The surprise Tony winner for 1985 is a somewhat pretentious meditation on the true story of the French diplomat whose long-time mistress was actually a male Chinese spy. (245 0220).

Plaza of the Opera (Majestic). Stuffed with Maria Bjornson's glided sets, Phantom rocks with Andrew Lloyd Webber's humming melodies in this mega-transfer from London. (235 8200).

Starbuck (Eisenhower). Betty Buckley stars in a new musical compendium featuring the music of Glenn Miller, Duke Ellington, Hoagy Carmichael and others. Ends March 25. (487 4500).

Chicago

It's Fly Girl's a Whore (Goodman). Jo Anne Akalitis of the Mabou Mines troupe directs John Ford's classic about incest, set here in Italy of the 1950s and starring Lauren Tom as Annabella and Jesse Borrego as Giovanni. Ends April 7. (443 8800). Steel Magnolias (Royal George). Ann Francis and Martin Rodi play the leads in this view of southern life from under the dryer in a busy hairdressing establishment. (268 9000). I'm Not Rappaport (Elixir St). Shelley Berman, one-time stan-

March 9-15

d-up comic, now plays Nat, Herb Gardner's memorable Central Park character who goes his way through the 1950s Tony Award winning 4000.

The Good Times are Killing Me (Body Fluid). This City Lit production of the 1950s Broadway play captures an American childhood with poignant sadness. (871 9000).

Kabuki. At the National Theatre Tengenjaya Mura is an action-packed low-life drama about a serving man who turns to drink and crime. (265 7411). At Kabuki there are two mixed programmes at 11am and 4.50pm, featuring mainly younger actors, including the famous Onnagata Tsumasaburo. One oddity is a modern kabuki play written by Yukio Mishima, performed to mark the 20th anniversary of his death. Both theatres have excellent tour programmes in English as well as English-language programmes. (641 3151).

The King and I. Lucy Ketch steps into Tuli Brynner's shoes in this first major revival of Rodgers and Hammerstein's popular musical since Brynner's death. Mary Beth Peil as Anna the governess, Tokyn Kosenkenan (245 0220).

The Fantasticks. Return visit of a New York cast in the two musical that's celebrating its 20th anniversary off-Broadway this year. Sunshine Theatre, 150 Broadway. (267 5281).

Sarafina. Hit musical from South Africa via Broadway, with a cast of highschool kids. Kan't Holen Hall, Goltands. Ends March 15. (268 9000).

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Antony Thorncroft

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Wednesday March 14 1990

Decision time for Israel

HAS THE patience of the Israeli Labour Party at last snapped? It seems so, but there have been so many previous last-minute compromises that one should perhaps wait for tomorrow (when the resignations of the Labour ministers actually take effect) before assuming that the Government of National Unity has indeed broken up.

It must be hoped, however, that this time the Labour leadership's resolve will not waver. It is by now amply demonstrated that a government headed by Mr Yitzhak Shamir and dominated by his Likud block will never embark on a process designed to lead to genuine peace between the Israeli and Palestinian peoples.

That Israel confronts a Palestinian national movement is hardly denied any longer, after 27 months of the *intifada*, by even the most pious Israeli.

That the movement wishes to be represented politically by the Palestine Liberation Organisation is also clearly attested by every spokesman for it that has been interviewed. And since the PLO accepted the principle of a permanent peace, Israel's objection to negotiating with it no longer finds any significant echo elsewhere in the world.

Unpalatable reality

That Israel find it difficult to embark on negotiations with a body formerly dedicated to the extinction of their state is understandable. But much has been done to make it easier for them. The US, the Egyptian government, and the PLO itself have bent over backwards to avoid making the unpalatable reality too explicit. Mr Shamir's own suggestion that Palestinians in the territories should elect their own representatives could have been a valuable contribution to this process, since no one really doubts that a free election would produce a delegation of PLO supporters. But Mr Shamir has never behaved as though he meant his suggestion to be implemented. To each Palestinian negotiated American-Egyptian compromise proposal he has replied by setting new and more restrictive conditions. Lately the public tone of remarks by Mr James Baker, the US Secretary of State, has

grown audibly more impatient with Israel's prevarication. Taking their cue from him, perhaps, the Labour leaders have called time.

Clear programme

Eventually the deadlock should be broken by the Labour party seeking and obtaining a popular mandate for a clear peace programme. But Labour is not well prepared for that. Its repeated efforts to find common ground with Likud, and to avoid appearing soft in the eyes of the electorate, have left it with a position which is scarcely more credible as a basis for peace than that of Mr Shamir himself. Labour, too, opposes any official or explicit dealings with the PLO, opposes any proposal for an independent Palestinian state, and insists that the whole of Jerusalem must remain under Israeli sovereignty. A peace platform containing those planks will be difficult to make credible at the hustings, since it amounts to a pledge to open negotiations without any real prospect of bringing them to a successful conclusion.

The actual process of negotiation can lead both sides to modify their positions; and an agreement actually reached with the other side is on the whole easier to sell to one's own side than a hypothetical peace which the other side has yet to accept. That being so, Labour is probably right not to go for an immediate election, but to try for a new government based on those parties in the present Knesset that are at least willing to embark on the negotiating process.

Such a narrow majority would have to include some if not all of the religious parties - most of which are less interested in the territorial extent of the Jewish state than in the rigor with which its Jewishness is defined and the extent of their own influence within it. To win their support Labour will have to make concessions which go against its secularist principles. But it will be right to do so, for in the end the greatest threat to those principles lies in the continuation of the state of war with the Palestinians, which has already had such a deleterious effect on Israeli society.

Labour's plan for training

THE THATCHER Government dominated Britain's educational and training debates in the 1980s. The Labour Party criticised aspects of initiatives such as the Youth Training Scheme and the National Curriculum but was unable to articulate a convincing alternative. The balance of influence, however, could look different in the 1990s. Investing in Britain's future, Labour's programme for post-16 education and training, is a spirited attempt to seize the initiative in a sphere where Government thinking remains muddled.

The first step in such an attempt is to demonstrate the failure of past strategies. In education and training, Labour's task is easy. The Thatcher Government has not achieved a significant increase in staying-on rates which remain low by international standards. Academic achievement is unimpressive. Only about 30 per cent of 16 year olds gain the equivalent of five or more good GCSEs while just 16 per cent of 18-year-olds gain two or more A levels. The number of apprenticeships has fallen since 1979 - apparently by almost two thirds in manufacturing. At the same time, only a tiny proportion of VETs graduates have gained worthwhile vocational qualifications. Around a third of 16 to 19 year olds receive no education or training.

Higginson Committee

It is thus impossible to argue that 1980s policies served the needs of the majority of 16 to 19 year olds. But what kind of reforms would improve matters? Labour's reform ideas draw unashamedly on the work of bodies such as the Confederation of British Industry, the National Institute and the Higginson Committee, the official working party set up to advise ministers on the future of A levels. In many respects, its programme reflects an emerging consensus among educationalists and employers.

This is particularly clear in sixth form education. Mr John MacGregor, the Education Secretary, remains doggedly committed to A levels - elitist exams which date from the early 1950s. He refuses to accept that an academic curriculum of just three subjects,

Vocational training

usually related, is too narrow even for the brightest academic students and inappropriate for the bulk of 16 year olds. Labour, in backing the Higginson Committee's arguments for a broader curriculum, is swimming with a strong educational tide. It wants sixth formers to take a wider range of disciplines and advocates a core curriculum including mathematics, English and a modern foreign language.

For less academic students, Labour envisages a new four-year technical and vocational apprenticeship. This would be predominantly education based in the first two years and employer based thereafter. Young people would be able to continue with academic studies beyond 16 while also acquiring technical and vocational skills. This would address a principal criticism of present training programmes - that they focus too narrowly on the immediate needs of employers. Students who choose the vocational route at 16 would not be making an irrevocable decision because completion of the apprenticeship would qualify them for higher education. Labour would also commit itself to a series of explicit targets. For example, by 1995, 80 per cent of 16 to 18 year olds should attain five good GCSEs or the vocational equivalent.

Many of the details of Labour's approach remain unclear, especially on the training side. It promises school leavers a written guarantee of their entitlement to future education and training. But it does not say what it would do if large numbers of school leavers spurn its traineeships. Would it, like West Germany, make some form of training compulsory? Lengthy and rigorous vocational courses, with a substantial component of academic study, are certainly needed if the British economy is to remain competitive in future decades. But the chances of shifting the cost of such courses onto either employers or students are not high. Labour is right to argue for much greater investment in "human capital" but it has yet to confront the Exchequer costs of this laudable policy.

EC institutions are seeking a wider mandate, report David Buchan and Tim Dickson

The European Community's institutions are in for a serious jolting this year - from the sideways shock of absorbing East Germany, from the frontal impact of negotiations to achieve economic and monetary union (EMU), and from the hammering away of a Parliament in constant search of more clout.

The Strasbourg assembly will today overwhelmingly approve a report demanding new powers, including equal legislative standing with EC governments represented in the Council of Ministers and the right to elect the Brussels Commission.

East Germany poses far less of an institutional problem in joining the Community by merging with an existing member than it would by entering as the 13th state. West Germany has the same two seats in the Commission, 10 votes in the Council of Ministers and 81 seats in the Parliament as the three other largest EC states. Bonn says it will want no extra representation for a unified Germany. But even if it eventually does, accommodating such changes will be easy compared to the task of applying EC policies to businesses and people on East German territory.

Much more important is the assumption that flux in eastern Europe requires greater institutional solidarity in western Europe. Behind this is the worry, as expressed by Prime Minister Wilfried Martens recently, about the EC "melting away under the warm glow of pan-Europeanism." This can be changed to a predictable hand-writing from the leader of a firmly federalist Belgium were it not for the fact that the sentiment is shared by most other EC governments. They feel that the chief geo-political contribution the Community can make to the new Europe is to strengthen its own institutions, the better to anchor united Germany.

Thus, the East is still acting as a catalyst in the Community debate on reform, even though people like Mr Jacques Delors, the European Commission president, and President Mitterrand of France, who has been seen as a proponent to bring forward the inter-governmental conference (IGC) on monetary union set to start at the end of this year, Mr Helmut Kohl, the West German Chancellor, told them he had to give priority to EMU between the two Germanys before tackling it among the Twelve. In fact, the very delay of the IGC simply serves the interests of those who want it to have the widest possible agenda.

In other words, the link with developments in the East is still very much alive in minds of many EC institutions. As David Martin, the British socialist whose report on sweeping new powers for the European Parliament was endorsed in Strasbourg this week, notes that the case for making Council of Ministers debates public is strengthened because "by democracy now in the East, the Council is the only body left in Europe which makes laws behind closed doors." He, and many others in the Parliament and the Commission, say the willingness of EC governments to do what their foreign policies towards the East, under the Commission's lead, shows the Twelve to be ready to start pooling policy towards other parts of the world.

Well before the latest German events, proposals for institutional reform were flooding in, undimmed by the prospect of the forthcoming IGC revising the Community's treaties. The highest demands have been tabled by the Parliament which is calling for:

- Majority voting in the Council on all EC legislation, even matters like tax where the requirement for unanimity now gives individual states a veto.
- Co-decision for the Parliament, ensuring that legislation could only

Tackling the democratic deficit

come into force if both the Council and the Parliament explicitly approved. The Parliament can now only make amendments which may be ignored by the Council.

• The Parliament to share in the Commission's right to initiate legislation.

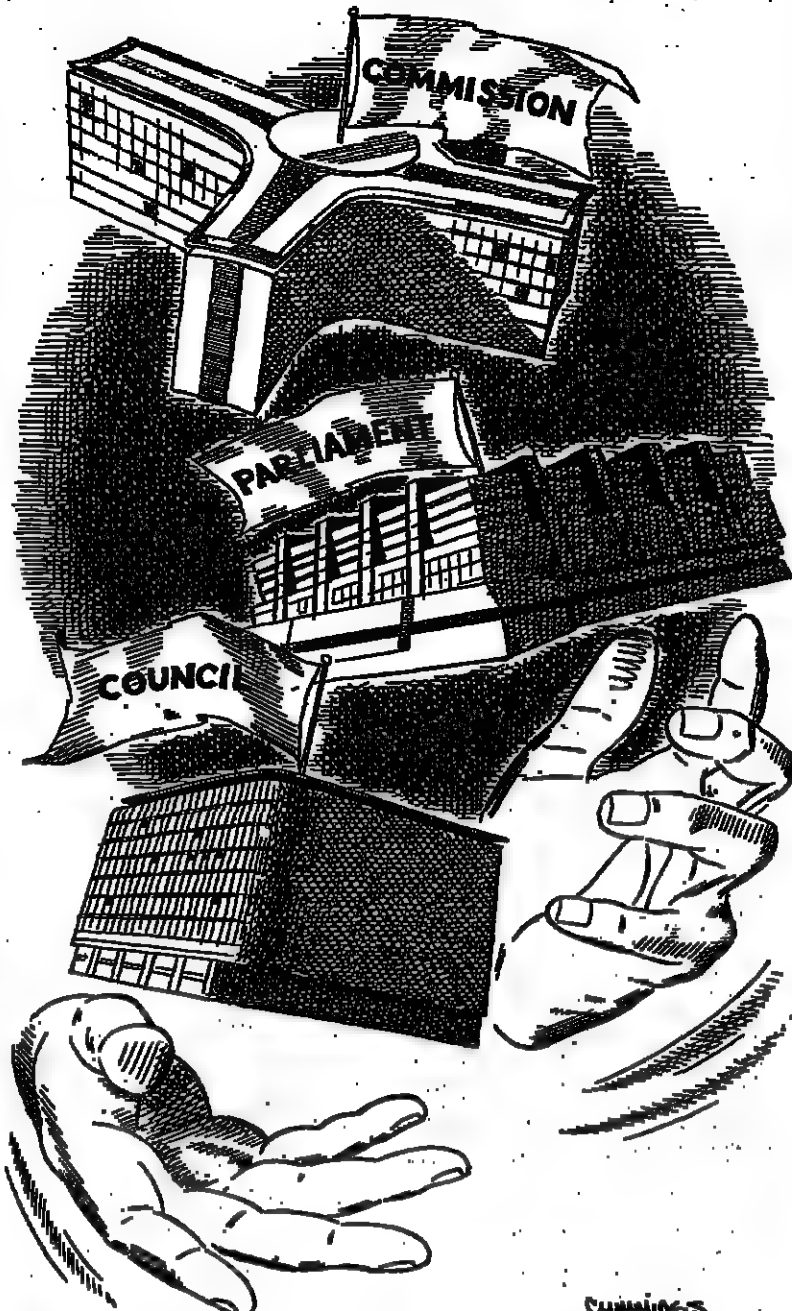
• The right of the Parliament to elect the Commission's president.

Other solutions have been put forward to fill what has become known as the democratic deficit - a phrase designed to highlight a relative lack of control over EC policies and laws by Europe's elected representatives. From Mr Michael Heseltine, the Tory dissident who has been hanging the pro-European drum in his bid for eventual power in the British Conservative party, has come the argument that this democratic deficit is best filled by giving national parliaments more control over EC policy. He has proposed giving Strasbourg an upper house, a Senate composed of representatives from national parliaments. This idea has some support from Mr Delors, though he is more concerned with efficiency than democracy in EC decision-making. The Commission president himself has suggested that governments should either give him and his fellow 16 commissioners more executive power or they should station ministers with the rank of deputy prime minister in Brussels as permanent, high-level managers of European business.

This debate is, however, running ahead of itself. When the 12 governments sit down to their conference, strictly speaking they alone will determine the agenda - not the Parliament, not Mr Delors and certainly not Mr Heseltine. Their immediate task will be to try to agree on moves towards economic and monetary union (EMU). This will have implications for EC institutions. Even the EC governments, which strongly oppose the Delors report's proposed European System of Central Banks - agrees. It objects that control of such a system would require a European finance ministry, even government - for which Europe is not ready.

So far, there is little on the table in the way of strictly EMU-related institutional reform. The Delors committee report, now nearly a year old, suggested that a system of central banks might take the form of the Euro-bank reporting once a year to the European Parliament and EC heads of government. Despite its name, the Delors report is not (or at least not yet) official policy of the Commission, which is to do to issue a cost/benefit analysis of EMU to the Council this month and a report on institutional aspects to foreign ministers in May.

In fact, reckons one seasoned national diplomat in Brussels, "the final role of the Parliament may not in the end be very large in an EMU, because most people won't want it to control the Euro-bank." He argues that the only way to meet West Germany's particular concern about central banks being free of the vagaries of party political control is for a sharp distinction to be made between "control" and "accountability." Thus, the Euro-bank would be "accountable" to its activities, to the Strasbourg assembly



and EC finance ministers, but without being under their operational control.

It is also misleading, says this diplomat, to think that because there is more talk of the democratic deficit that the average European-in-the-street suddenly feels aggrieved about the lack of democracy in the Community. Rather, there are "two main vested interests - the Parliament and the Commission - which are permanently in favour of institutional reform," he says. "The democratic deficit is not an objectively observed truth, but more a slogan, a standard behind which these vested interests will march into battle."

None the less these vested interests may wrest some notable concessions from governments at the inter-governmental conference. They did so five years ago at the IGC that created the Single European Act. This time, the Commission and the Parliament may face a British Government which is more opposed than ever to granting them more power. In 1987, the Thatcher Government was hired into

agreement on the Single Act by the prospect of getting the single market programme under way. Now, however, Mrs Thatcher is more isolated among the Twelve than ever, not only on EMU itself, but also on the issue of giving Strasbourg more clout. She is also more isolated inside her own country, if not party, in an extraordinary indication of Labour's new stance on Europe, last week the British Labour group backed the Martin report by 28 votes to eight.

Backing for reform is sure from many of the Community's Latin and smaller member states, among them Ireland and Italy who successfully held the EC presidency this year. Mr Kohl, at least until pan-German visions started to dance before his eyes, repeatedly said the current European Parliament should be the last to have its present powers and that the next Parliament should be elected in 1994 with new competences. A significant shift has also taken place in Denmark which hitherto has shared many of the British Government's reservations about the federalist drift in EC institutions, and in particular in Strasbourg. The Danish Folketing (parliament), traditionally even touchier than Westminster about its sovereignty, is now on record as welcoming the inter-governmental conference, provided it is widened beyond monetary union to allow majority Council voting - and consequent greater involvement of the European Parliament - in social and environmental policies.

Short of actually sitting in on the conference, the Parliament's hope is to at least help set the agenda by making it as wide as possible. Its Spanish socialist president, Mr Enrique Barón, has proposed a pre-conference in May or June to discuss constitutional reform. Its federalist ally, the Commission, will certainly attend, and the Irish presidency will probably not be absent. But the steeper the Parliament pitches its demands, the more likely it is to arouse the jealousies of national parliaments, which must ultimately ratify any treaty changes. MEPs realise the danger. "The last thing we want to do is to make them hostile to what we propose," says Mr Martin. So, after hosting its IGC pre-conference, the Parliament proposes holding assises with national parliaments to keep them informed and to canvass their support for reform.

Can MEPs win over MPs to their cause? Long-time federalists like British Tory MEP Bill Newton-Dunn believe so, arguing that far from taking power from national parliaments, Strasbourg is only fighting to regain powers of control lost by the separate legislatures of the Twelve. The latter, he says, "surrendered their powers when they first allowed their ministers to go to Brussels to make collectively-binding EC decisions." Arguably, the real undermining of national democratic control only came with the Single Act. Increased use of majority voting meant that even very tight national control of a minister's conduct in Brussels could be rendered pointless when that minister could be out-voted. Thus, all the talk at Westminster of improving the national democratic deficit only came with the Single Act. Increased use of majority voting meant that even very tight national control of a minister's conduct in Brussels could be rendered pointless when that minister could be out-voted. Thus, all the talk at Westminster of improving the national democratic deficit only came with the Single Act.

However, given that what Strasbourg is now demanding may be too much for national governments and parliaments to swallow, what about filling that democratic deficit by simply making debate in the Council public? It is hard to defend the fact that a body which plays the biggest part in passing legislation of increasing importance of a particularly entrenched kind (taking precedence over national law) and which is difficult to repeal (requiring EC, not national action) - operates in secret.

Briefings by EC Councils are quite enough for reporters, but this form of partial and filtered publicity is insufficient for businessmen, for whom the devil is often in the detail of EC legislation. It is also galling for national MPs who always have to learn second-hand about the laws they will shortly have to place on their national statute books.

The argument for letting the sunshine into the Council is that majority voting on many issues has changed the nature of the game; behind-the-scenes horse-trading is no longer so necessary to get ministers to abandon their votes. But ministers and diplomats must still have some privacy to search for the compromises that make the Community go round. This is clearly special pleading. But the political fact is that while most member states may feel uneasy about the present institutional arrangements the onus will be on the reformers to improve them.

Just the man for Wales

The clever move for Mrs Thatcher, in her present rather serious predicament, would be to invite Michael Heseltine to join the Cabinet as Secretary of State for Wales in succession to the departing Peter Walker. He would find it quite difficult to refuse.

Heseltine, after all, has said many times that he does not wish to make an outright challenge to the Prime Minister and that he wants to maintain the unity of the Conservative Party. What better way of showing his loyalty than by agreeing to return to the Cabinet in time of trouble? It is not as if Wales would be too small a job for him. It was ideal for Peter Walker, who is a very similar kind of Tory. The Secretary of State is allowed a great deal of autonomy and can put his own brand of economic interventionism into practice, as Walker showed. Moreover, Heseltine has a Welsh background.

And if the Prime Minister does not make the offer to bring him back, the former Defence Secretary will become an ever more serious threat to her hold on office. If she offered, and he turned her down, he might be defeated.

Castro's arms

A Soviet-built Russian airliner arrived at Brasilia airport on Monday. It carried the advance guard of 83 officials preparing the way for the visit of Fidel Castro to the inauguration of Brazil's President-elect, Fernando Collor de Mello.

In their baggage, according to the usually-reliable *Jornal do Brasil*, were 10 tonnes of weaponry including sub-machine guns, grenades and anti-aircraft missiles. Nine hours of negotiations between the delegation and the Brazilian Foreign Ministry eventually led to the bulk of the arsenal

(minus a few side arms) being sent back to Havana. Meanwhile, Castro's agenda is being kept a secret. "The security question is a neurosis for the Cubans now," said one Brazilian organiser of the visit.

Staying power

Eishiro Saito, 78, acquired the title "Lucky Boy" in 1977 when the death of a superior unexpectedly cleared the way for him to become president of Nippon Steel, the world's largest steel producer. His luck is still holding out: he was confirmed this week for a third two-year term as chairman of the Keidanren federation of industrial organisations, despite grumbling in some quarters about his leadership and an abortive attempt by an old rival to unseat him. The Keidanren is like the CBI, but with power. Its leaders used to pride themselves on holding sway over cabinet appointments, although the organisation has lost some of its influence in recent years because of widening internal divisions over policy directions, notably between industrialists benefiting from liberalisation trends and those not.

Saito was brought up in an era when differences of this kind could be smoothed over at the Mah Jongg table or on the golf course. His motto is to always look on the bright side. But he is accused of lacking a vision of Japan's future in the world during his tenure as chairman. He is also criticised for bowing too easily to pressure from the ruling Liberal Democratic Party for large contributions to finance last month's general election campaign.

Goshi Hirasawa, chairman of Tokyo Electric Power, who was first defeated by Saito in 1966, took soundings early this year on whether the chairman



"Rent-a-mob are buying too much."

could be unseated. Ultimately he retreated when not enough support was forthcoming. This week, the venerable Keidanren board - average age 75 - announced their decision, and a triumphant Saito told reporters in Tokyo that rumours that he would retire at the end of the year were totally unfounded. "No marathon runner would think of retirement before he starts a race," he said.

Right rates

There is an intriguing graph in the latest UK Economics Analyst from Goldman Sachs International. It shows the relationship between the mortgage rate and support for the Conservative Party from 1979 onwards.

This relationship is remarkably close. For example, when the Tories won the 1983 general election by a landslide, the mortgage rate was down to around 10 per cent, having fallen steadily over the previous year or so. When Tory support fell below 30 per cent in the opinion

polls in 1986, the mortgage rate was nearly 15 per cent. And when the Tories won the election in 1987, the mortgage rate was again down to around 10 per cent, having dropped sharply in the months before the election took place.

Today Tory support in the polls is below 35 per cent and the mortgage rate is up to around 15 per cent. Goldman Sachs advocates a tough budget next week: it does not appear to rule out another Tory victory if the mortgage rate subsequently begins to fall again.

Deference

The Ministry of Defence has surpassed its previous record of discretion in its dealings with Saudi Arabia. Tom King, the Defence Secretary, is on a three-day visit, but his ministry waited until he had already arrived before announcing that he was going.

The trip was planned well ahead under a programme of annual exchanges between the UK and its principal arms customer in the developing world. Officials explained that the silence was due to "the usual Saudi sensitivities" and that Britain "tends to go along with Riyadh's wishes" when it comes to publicity.

When the Saudis concluded a framework arms agreement in 1988, estimated to be worth more than £10bn, the MoD limited itself to a three-paragraph statement giving no details. It was probably just as well, because contracts for the deal are still waiting to be signed 20 months later.

Read the text

A friend sent her young son to the corner shop at the last minute to buy a birthday card for her daughter. The picture on the front "bends to go along with Riyadh's wishes" when it comes to publicity. When the Saudis concluded a framework arms agreement in 1988, estimated to be worth more than £10bn, the MoD limited itself to a three-paragraph statement giving no details. It was probably just as well, because contracts for the deal are still waiting to be signed 20 months later.

Only JAL have 17 flights a week from Europe to Japan.

JAL
Japan Airlines

For most black South Africans, apartheid and capitalism are merely two different ways of institutionalising inequality.

The former must be abolished - on that point, the Government and black political leaders agree. But the fate of the country's economic system remains in the balance.

While the rest of the world settles into the post-socialist era, the ideological battle in South Africa is just beginning. Pretoria is arguing that capitalism alone can generate the economic growth needed to narrow the prosperity gap between black and white. That in itself is a major conversion.

After more than 40 years of Afrikaner socialism - the heavily interventionist economic system which has uplifted whites the Afrikaner, but led to inefficiency and waste - Pretoria has been reborn into the capitalist faith.

But many blacks, and most of the country's black political leaders, question the tenets of that faith. They blame capitalism as much as apartheid for depriving them of the fruits of their labour under whites.

Pretoria's argument that more, not less, capitalism is needed sounds to blacks like a last-ditch attempt to protect white vested interests.

South Africa's mandarins and businessmen know that the survival of a free market system will depend on their ability in the next few months and years to prove to a wider audience that capitalism can bring material benefits to blacks.

Thousands of black taxi drivers need no persuasion. Deregulation of South Africa's public transport system has multiplied their income in the last three years. And as non-whites have moved up the social ladder, they have found skilled jobs, wealth previously trapped at the top of the pyramid has also started to trickle down to non-whites.

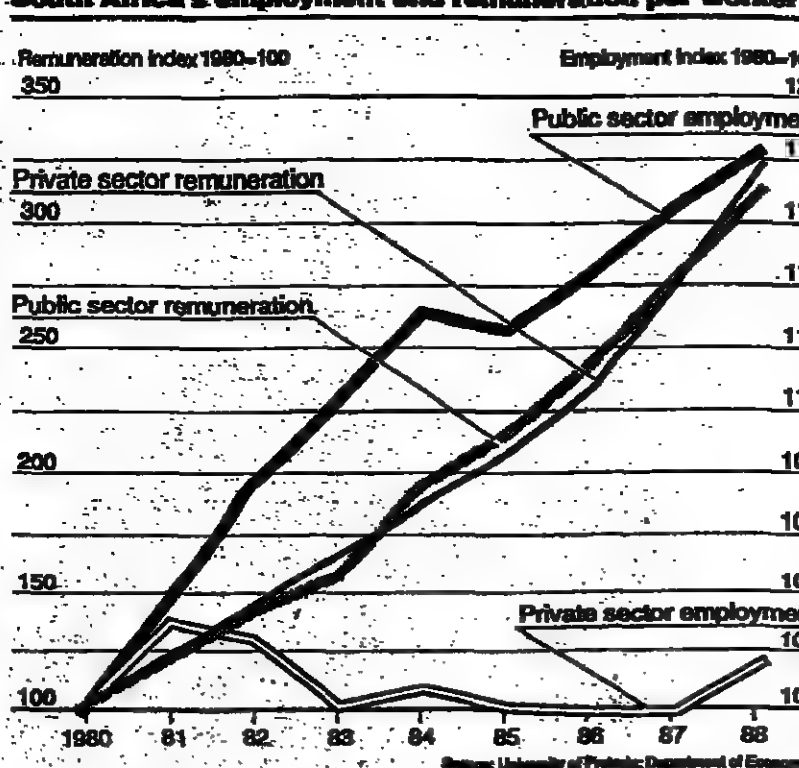
But the gap between white and black incomes remains wide. According to the South African Institute of Race Relations, per capita income of whites in 1987 was estimated at R14,880 (about £3,550) compared to R1,245 (£300) for blacks. The comparable figures for coloureds and Indians were R3,000 and R4,550 respectively.

Government spending is similarly skewed. Mr. Mervyn Dreyer, the Education Minister, says per capita expenditure on education, including capital expenditure, totalled R2,082 for whites in the 1988-89 fiscal year and just R765 for blacks. Per capita spending on health was R597.11 for whites and R127.84 for blacks.

The Government hopes that narrowing the spending gap - a process started in recent budgets - will give capitalism credibility among blacks. The 1989-90 budget, due to be presented to the parliament today by Mr. Barend du Plessis, the Finance Minister, is directed to take major steps in that direction.

The aim is to persuade blacks that fiscal policy can be used to redistribute the nation's wealth and that there is no need to resort to more interventionist methods like nationalisation, a policy which Mr. Nelson Mandela, the country's president of the African National Congress, has repeatedly said he favours.

South Africa's employment and remuneration per worker



Budgeting for blacks

Patti Waldmeir looks at the strategy behind today's budget in South Africa

Government officials say they see the budget as part of their negotiating strategy in talks on a new constitution which would begin to end apartheid. Mr. Edward Osborn, chief economist at Nedbank, one of the country's largest banking groups, believes that re-allocating government spending in favour of black social services "is the only means government has of demonstrating that there is an alternative to racialisation without harming the whole fabric of the economy."

But Pretoria has made clear that increased spending on black social services must not jeopardise the fight against inflation, currently running at around 15 per cent.

In fact, most economists are projecting a small real cut in Government spending overall.

Budgeted at R54m for fiscal 1989-90, they predict an increase of 11 to 13 per cent in 1990-91, against inflation expected to end the year at 13 or 14 per cent.

A large shift in spending on black social services would therefore mean that other areas of the economy - notably

defence - would suffer. The projected preserve of the former President, Mr. F.W. de Klerk, himself a former Minister of Defence, is likely to find itself a casualty of peace in southern Africa.

Economists believe that spending on defence could be cut by as much as 25 per cent in real terms; from the R5.5bn budgeted in 1989-90. The withdrawal of South African troops from Angola and Namibia, following a UN-sponsored peace deal giving Namibia independence from next week, should generate much of the saving.

Pretoria's decision to seek peace with the ANC will further reduce the priority of defence. Already Government has cut compulsory military service for whites from two years to one. Defence cuts could give Mr. du Plessis as much as R1bn to R1.5bn to redistribute in the new budget. A large proportion of the saving could be redirected toward the critical areas of black education, health and housing.

Mr. Mike Cypionka, Standard Bank chief economist, believes there may be a large swing in Government spending

from white to black education. Many economists argue that this is the trend of the future; affluent parents will pay for on their children's education while the state concentrates on blacks.

Although comprehensive tax reforms promised by the Government are not likely, the budget is expected to include some limited tax concessions. All this must be achieved without breaching the strict fiscal and monetary discipline needed to fight inflation and to ensure Pretoria can continue to meet heavy foreign debt repayments by generating large surpluses on the current account of the balance of payments.

Government officials say a surplus of some R5bn may be needed to cover foreign debt commitments this year.

So far, there is every sign that Government is for the first time in years committed to more than just the rhetoric of restraint.

Government spending for the full year may end up within R1bn or so of the R54bn originally budgeted. And with revenues likely to exceed the budgeted figure of R55bn by a substantial amount - perhaps as much as R4bn to R5bn - the 1989-90 deficit before borrowing could total as little as half the projected figure of R9.5bn, or under 3 per cent of GDP.

Economists say the positive outcome is mainly the result of Pretoria's failure to correctly project budget revenues. But they welcome the fact that Government appears to have kept to its own spending projections for 1989-90. If similar discipline is maintained in 1990-91, the deficit before borrowing could again total less than 3 per cent of GDP.

No-one underestimates the difficulties which lie ahead. Government must somehow meet the legitimate demands of a deprived black population without impairing economic growth. It must do so at a time of great political uncertainty and as the economy enters a period of low growth. Growth is not expected to exceed 1 per cent in 1990.

But policy-makers are adamant that future growth will depend on Pretoria getting its own finances in order now. Mr. F.W. de Klerk, the State President, has appointed one of South Africa's toughest businessmen to tackle public sector waste. He is a former Minister for Privatisation, Mr. Wim de Villiers, a former chairman of Gencon, the big mining group, who takes the new title of Minister for Administration and Economic Co-ordination tomorrow. In the words of one economist, Mr. de Villiers has already been "wandering through the budget with an axe."

The study drawn up for the Division in early 1986, confirms what military strategists had been telling the President and his Cabinet throughout the summer of 1985.

Thus the answer to Mr. de Villiers' question is about 200,000 less than the final casualty list for the Second World War.

Robert Marshall, 18 Woodville Road, W5

Preparing for the Budget

Why Mr Major must get his signals right

By David Currie

In his first Budget next week, Mr Major must make an important judgment about the overall stance of fiscal policy. One of his main concerns is whether current policy is sufficiently tight to restrain domestic demand and reduce inflation and the current account deficit.

The Chancellor is being urged to tighten fiscal policy, possibly through non-indexation of allowances in line with inflation, in order to play safe with domestic demand; this argument has been strengthened by this week's announcement of the February retail sales. Some commentators are suggesting a tightening of fiscal policy with electoral considerations in mind: a tight Budget this year will leave room for greater tax cuts and/or larger interest rate reductions next year in the lead-up to the next election.

The case for maintaining a tight policy stance is well-made. The British economy is suffering from continued high

inflation and the resulting inflation and balance of payments problems continue beyond the next election.

In spite of this, a tightening of fiscal policy in the Budget would not be appropriate unless it is linked to UK entry into the Exchange Rate Mechanism. Since we do not consider EMR entry likely in the near future, though it would be highly desirable for controlling inflation, we think that a fiscal tightening would be ill-judged. Fiscal relaxation is not an option, and so a neutral Budget is called for.

The reason that we argue for a neutral Budget concerns the exchange rate. Sterling fell 12 per cent last year on the effective exchange rate, and although it recovered some of that ground in January and February, these gains disappeared last week. This exchange rate depreciation, actual and anticipated, is the reason why we are pessimistic about UK inflation trends. Companies have little pressure on them to restrict price and wage increases when they can raise sterling prices against European competitors without pricing themselves out of markets. The Chancellor can ill-afford further exchange rate falls if he is serious about tackling inflation.

The danger with a fiscal tightening is that it will give the wrong signal to foreign exchange markets, and trigger a further fall in sterling. This is because the markets may well view tighter fiscal policy as signalling lower interest rates in the future, not a general tightening of the policy stance. Indeed the markets are quite likely to interpret in this way. For if sterling were to appreciate as a result of Budget tightening, inflationary pressures would be reduced, and the Chancellor would then be under greater political pressure to cut interest rates next year ahead of the election. An exchange rate appreciation would therefore create the con-

ditions in which interest rate cuts are more likely. But anticipated interest rate cuts will depress sterling, so that the appreciation will not materialise in the first place.

If the Chancellor wishes to bear down on inflation by a tightening of fiscal policy, he needs to find a means of signalling this medium term intention in a convincing way, if an exchange rate depreciation is to be avoided.

The Medium Term Financial Strategy was originally conceived with this aim but has gone through so many transformations that it has lost credibility. In our view, the most effective signal would be provided by a commitment to the Exchange Rate Mechanism, with the firm anchor to German inflation rates that this would provide.

However, we are not optimistic about an early announcement of EMR entry. Failing that, the Chancellor would do better to go for a Budget that is neutral in macroeconomic

Much can be done to reform the tax system. A neutral Budget need not be a dull one

terms. The focus should instead be on the microeconomic aspects of tax policy: there is much that can be done to reform the tax system to encourage private savings or promote environmental aims. A neutral Budget need not be a dull one. (This article is based on the Economic Viewpoint published in the London Business School Economic Outlook at the end of February)

The author is Professor of Economics at the London Business School and a director of The Centre for Economic Forecasting.

LETTERS

'Double standards' for UK company sales

From Mr A. Sykes

Sir, Lord Young's account "Why I sold Rover to British Aerospace" (March 7) contains important insights into the Government's thinking on the principles which should govern the acquisition of British companies.

What was disturbing about Lord Young's explanation is that he and his officials took great account of the large number of jobs at stake in Rover and its suppliers which, he said, were more important than obtaining the highest possible price for the car.

I have no objection to these principles. I would point out, however, that they are not followed in practice by the Office of Fair Trading.

When a foreign company is bidding for a British company the professional advisers tell

British boards of directors that little or no weight will be given to these factors and that the only criterion of substance is the promotion of competition.

I am not commenting on which set of principles is the more desirable. It is, however, a quite unsatisfactory state of affairs for the Government to defend its sale of Rover to British Aerospace by invoking principles which, in practice, are denied to the great majority of British companies bid for by foreigners. Double standards should be unacceptable.

In the light of the explanation for the Rover sale, the Government should either widen the grounds for British companies appealing to the Office of Fair Trading or stop applying different standards for the sale of Rover.

Allen Sykes, Mallington, 29 The Mount, Fitcham, Leatherhead, Surrey

The Hiroshima/Nagasaki toll

From Mr Robert Marshall

Sir, In his review of Roland Joffe's film, *Shadow Makers*, (March 5) Nigel Andrews dismisses the final message of the film that 200,000 were killed by the bombs at Hiroshima and Nagasaki - by asking the not less significant question, how many would have died if the bombs had not been dropped?

The answer is now quite clear. A recently discovered top secret intelligence study in the National Archives in Washington DC states bluntly that it was Russia's declaration of war on August 8 1945, that led to Japan's decision to surrender - and that the bombs had not been necessary to stop the fighting.

Robert Marshall, 18 Woodville Road, W5

Investigation shows that there was little mention of the use of the atomic bomb by the United States in the discussions leading up to the decision to surrender.

The study drawn up for the War Department's Operations Division in early 1946, confirms what military strategists had been telling the President and his Cabinet throughout the summer of 1945.

Thus the answer to Mr Andrews' question is about 200,000 less than the final casualty list for the Second World War.

Robert Marshall, 18 Woodville Road, W5

A widening choice for MEPs

From Mr John Speller

Sir, Why, I wonder, are the members of the European Parliament still arguing between Brussels, Luxembourg and Strasbourg?

If they leave it much longer

and the balance of Europe shifts east, the choice will probably be between Vienna and Berlin.

John F. Speller, 115 London Lane, Bromley, Kent

Taxation incentives needed to tackle Britain's transport problems

From Mr Keith Phair

Sir, David Sowers ("Pricing is better than planning," March 5) suggests that flexibility in transport system capacity is a valuable characteristic. This is correct, but implies only that supply has to cope with demand.

The central difficulty of UK transport planning today is that many people have arranged their lives in a way which gives them little or no modal choice. Frequently they have changed their habits, homes and jobs in ways which make them entirely dependent on the car. This must be particularly true for many users of the M25 and out-of-town supermarkets, where complaints of congestion (and implicit cost) are not mirrored by reductions in demand. Transport demand curves have become increasingly price-inelastic.

Government policy has overlooked the need to ensure that flexibility of demand is maintained. Only if people are given a choice of transport mode can pricing policies persuade them to alter their travel habits. They have had insufficient incentive to maintain such a choice in recent years; subsidies have an essential role in encouraging a flexible and sus-

tainable balance between supply and demand for different transport modes.

Switching tax-breaks from company cars to company-provided public transport season tickets would be a start, and quite progressive in tax terms. Other helpful changes would include abolition of the flat rate Road Fund Licence, transferring the tax burden to petrol costs, and the introduction of "road-pricing" in major urban centres. Naturally, this would need to be accompanied by more investment to increase public transport capacity along established corridors.

Such transfers in the tax burden would merely be sensible long-term transport planning, benefiting even most road users through the removal of marginal congestion-causing car drivers. It should not, however, be seen as a quick "green" fix. The broad thrust of such policies must be followed for many years if we are to regain true flexibility in our transport systems and overcome the transport strait-jacket created in the 1960s.

Keith Phair, Thatched Farm, Woodbridge Road, Walsingham, Norfolk

From Mr J. Schwemmer

Sir, One has to be careful before dismissing subsidies as a whole as causing inefficiency. Mr Sowers is right when he says that "subsidisation of one mode of transport is an inefficient way of reducing traffic on another." This is known as second best pricing and is, of course, inferior to first best - that is efficient pricing which is to implement the price-equal-marginal cost rule in all sectors - even though it is superior to subsidising just one sector as with private transport at present.

However, the essential term is marginal and Mr Sowers is misleading when he extends his definition of efficiency to a system "in which prices reflect the costs of providing transport" without differentiating between fixed costs and running costs. This is due to an important corollary of the price-equal-marginal cost rule which students of microeconomic theory are being taught all over the world but which is totally neglected by the long list of Thatcherite Secretaries of Transport.

The economic life-form I refer to is the natural monopoly. It is characterised by falling average costs over the

whole range of technically feasible or economically relevant output. Examples range from railways - generally the Channel Tunnel rail link in particular.

Then, in order to reach economic efficiency railways have to charge marginal cost. Since this necessarily implies losses (in the order of the debt service for fixed cost) they have to be subsidised. Whether or not railways could run on a commercially viable basis is of no interest whatsoever. (I take it for granted that society finds it worthwhile to have a railway. If not, a privately run system could not survive either.)

British transport policy is, unfortunately, rather different. Private transport runs below marginal cost while public transport has to charge above marginal cost. Due to the public-funds-mantra resulting from the Government's failure to come to terms with common economic wisdom.

You do not have to be an environmentalist to call such a policy a disaster. It is a disaster in terms of simple economic efficiency as well. Jörg Schwemmer, Department of Economics, University of Osnabrück, West Germany

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INDEPENDENCE NEGOTIATIONS REJECTED

Lithuanian move is illegal, says Gorbachev

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet leader, yesterday denounced the move by the Baltic republic of Lithuania to proclaim its independence as "illegal and invalid," and flatly rejected opening formal negotiations.

His blunt words were, however, dismissed by Mr Algirdas Brazauskas, the Lithuanian Communist Party leader, as "just for public consumption," and representatives of the breakaway nationalist movement insisted that the terms of their secession were already under debate.

Lithuanian members of the Soviet Congress of People's Deputies, summoned to create a new post of Executive President for Mr Gorbachev,

declared that they were only attending as "observers," and refused to participate in any of the voting.

They also announced that any Soviet claims for compensation for Soviet investment in the republic would be matched and exceeded by a massive Lithuanian compensation claim - including claims for all the people deported and executed during the dictatorship of Joseph Stalin.

From the Soviet side, Mr Gorbachev announced that Mr Nikolai Ryzhkov, the Prime Minister, was heading a special commission set up to consider the implications of the Lithuanian move - while

still rejecting the notion of talks.

"These are not negotiations. You only have negotiations with foreign countries," he told the Congress, to a round of applause. "We will talk with the comrades from Lithuania - are they still comrades? I think so - within the Supreme Soviet."

While there is no doubting the determination of the Lithuanians to break away from the Soviet Union, Mr Gorbachev and his colleagues seem to be bent on ignoring it and hoping it will go away.

The Soviet leader also had to take a tough line to keep his own Russian nationalists and Communist Party conserva-

tives in line, in the immediate run-up to a critical constitutional vote.

Even so, the lack of serious attention to the whole question, both in the Congress and the official Soviet press, aroused the anger of conservatives in the Soyuz (Union) group of deputies, who demanded an emergency debate and immediate action to approve a highly restrictive law on secession.

The Soviet leader's harsh words about Lithuania's independence move also succeeded in alienating fellow Baltic nationalists from Estonia and Latvia, who proceeded to vote the key vote on the presidency.

The Estonian deputies then demanded that their plans to leave the Soviet Union should also be considered by the Ryzhkov commission, and withdrew their member of the Congress presidium - leaving two empty seats at opposite ends of the platform.

Soviet insistence that any secession should include compensation was met with delight by the Lithuanian side yesterday.

Mr Algis Ceboklis, a member of the governing body of Sąjūdis, the Lithuanian independence movement, said that Soviet claims totalling \$34bn would be matched by counter claims for at least \$300bn for Lithuanian contributions to the Soviet economy since 1945.

US defence savings may aid Nicaragua

By Peter Riddell in Washington and Tim Coons in Managua

THE US is seeking to use savings from the defence budget to finance an \$800m programme of economic and political assistance for Nicaragua and Panama this year.

This is the first use of the so-called "peace dividend" of cuts in defence spending to support the new democracies. There are already calls from Congress to use the Latin American precedent for increased assistance to Eastern Europe.

President George Bush yesterday sought \$300m of aid for Nicaragua in the current fiscal year, with \$200m next year. This follows the defeat of the Sandinista at the election at the end of last month. He also lifted the five-year trade embargo against the country.

In late January Mr Bush requested \$500m of aid for Panama this year.

Yesterday Mr Bush, speaking at a White House press conference, appealed to Congress to build on last year's bipartisan political agreement on Central America by granting approval by April 5.

He said Mr Dick Cheney, the Defence Secretary, and Mr Richard Darman, the budget director, would begin immediate negotiations with Congress "on mutually acceptable offsets from the defence budget that can be used for this democracy fund without having an unacceptable impact on national security."

Agreement on offsetting cuts is being sought by March 27. If this is not possible, Mr Bush

will, "because of the dire need for these funds, ask for a waiver of the budget act to allow this critical programme to proceed on the required timetable."

President Bush's announcement follows appeals by both Mrs Violeta Chamorro, who will head the Nicaraguan Government, and the outgoing President Daniel Ortega, for aid. Many voters cited Nicaragua's economic crisis as their reason for backing Mrs Chamorro.

President Bush is proposing not only the immediate lifting of the trade embargo but also the resumption of super shipments to the US, while ensuring that Nicaragua is eligible for duty-free treatment for a wide variety of other products.

Of the aid, some \$50m is earmarked for agricultural, petroleum and medical supplies and a further \$80m for repairing bridges, roads, schools and hospitals. Another \$45m will go to help the repatriation and resettlement of Contra forces and other refugees.

About \$50m will help Nicaragua pay off debt to the International Monetary Fund and other international financial institutions. An additional \$75m will be in stabilisation funds to assist economic restructuring and balance of payments adjustment.

The next stage in ensuring a secure transfer of power to Mrs Chamorro is the demobilisation of the Contras.

US Contra call; Sandinista background, Page 7

UK angered by Irish extradition ruling

By Kieran Cooke in Dublin, Ralph Atkins in London and Our Belfast Correspondent

ANGLO-IRISH relations seem set to enter another turbulent period following an Irish judicial decision yesterday to uphold appeals against extradition by two men wanted by police in Northern Ireland.

Mr Dermot Finnucane and Mr James Plus Clarke were among 38 prisoners who took part in a mass IRA breakout from the high security Maze prison near Belfast in 1983. Both had been serving lengthy sentences for terrorist-related offences.

The Supreme Court in Dublin ruled that both men would run the "probable risk" of being assaulted and injured if returned to the Maze prison. The court said the appellants' constitutional rights had to be protected and it was up to the courts to prohibit their extradition.

There was angry reaction to the decision in Downing Street, where it was seen as unlikely to do anything other than encourage terrorism. Any suggestion that anyone extradited to Northern Ireland would be maltreated was rejected as "grossly offensive" and "unfounded."

Mr John Cope, Minister of Security in Northern Ireland, described the judgment as "difficult to understand" and "an insult to the prison regime in the North."

The decision will focus attention on what has been seen both in London and Belfast as Ireland's failure to stand by clauses in the 1985 Anglo-Irish Agreement relating to the extradition of convicted or sus-



Dermot Finnucane leaves court in Dublin surrounded by supporters

pected terrorists. While the London Government yesterday reiterated its commitment to the agreement, the controversy provided further ammunition for its opponents. Northern Ireland's Unionists, in particular, are deeply suspicious of the Irish Republic's constitutional claim to the whole island.

The decision could sour the atmosphere at talks expected to take place within the next week between Mr Peter Brooke, Northern Ireland secretary, and Unionist leaders, on possible progress towards alternative forms of government in the province.

Mr James Moynihan, leader of the Official Unionists, said it was "a gross slander" for Dublin judges to suggest that the

men would be assaulted if returned to Northern Ireland. Mr Ken Maginnis, the Unionists' security spokesman, said the judgment was a fatal blow to the Anglo-Irish Agreement. "It is probably dead on its feet," he said.

The decision raised widespread unease among Conservative backbenchers. Mr Ivor Stanbrook, vice-chairman of the Tory backbench committee on Northern Ireland, said the ruling undermined the Anglo-Irish accord.

It means there can be no co-operation between the two countries in any matters which involve reciprocal action and co-operation and that means the whole basis of the Anglo-Irish Agreement is called into question.

At the time of his escape, Mr Finnucane, 30, from Belfast, had been serving an 18-year sentence for possession of an M16 rifle and ammunition. He was arrested by Irish police in late 1987 and since had been held in the high security prison at Portlaoise, south of Dublin, pending appeals on his extradition to Northern Ireland.

Mr Clarke, 34, from County Donegal in the Irish Republic, had been serving an 18-year sentence for the attempted murder of a soldier in the Ulster Defence Regiment. He had been arrested by Irish police in 1984. Appeals by both men against their extradition had been rejected by the Irish High Court last year. Background to the controversy, Page 16

EC 'should avoid binding economic rules'

By David Buchanan in Brussels

EUROPEAN Community states should aim for a total monetary union with a single currency but without any binding, centrally imposed rules on their economic and fiscal policies, according to a paper discussed in the European Commission last night.

The discussion paper, to be put before EC finance ministers meeting in Ireland on March 31, marks another milestone on the long road to the start of treaty negotiations on economic and monetary union (EMU) in December.

It also contains some significant departures from the Delors committee report published last April.

Yesterday's debate was the first time the full Commission had taken a view on EMU. It allowed its president, Mr Jacques Delors, to jettison at least one provision imposed on him by the most powerful members of his committee, notably Mr Karl Otto Pöhl.

The Bundesbank president had insisted that only binding limits on budget deficits could provide the discipline to keep

the Twelve in a monetary union. But yesterday's paper called this "difficult politically and technically," and only urged co-ordination of medium-term adjustment strategies.

The Commission also comes out strongly for a single currency - the Ecu composite currency. The Delors report had said there was no material difference between a common money and irrevocably locked exchange rates. Brussels is now backing the single currency as the best proof that EMU would be irreversible and assurance that all transaction costs would be eliminated.

The Commission also sweeps aside the alternative British government proposal that freely competing national currencies would give Europe's citizens the benefits of monetary union and eventually force convergence towards the soundest national monetary policy, probably that operated by West Germany.

It argues that this evolutionary approach could in fact "burst apart" a monetary system, partly on the technical ground that as currencies become more substitutable, so movements between them become less predictable and more volatile.

At a meeting of EC industry



Commission President Delors

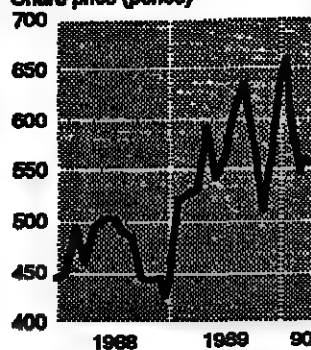
ministers, Mr Roger Fauroux of France said, with support from southern countries, that the Community should not complete its harmonisation for cars - with three final directives on tyres, windcreens, and car weights - until it had settled the troubled issue of future car imports from Japan.

The lack of a completely common EC car standard gives countries such as France a technical excuse to control imports at their borders, regardless of EC policies.

GrandMet mixes a new cocktail

Grand Met

Share price (pence)



The financial minutiae of Grand Metropolitan's chosen means of exit from the UK brewing industry are so complex that it is easy to lose sight of the business issues. Near-term, the sale of its breweries and beer brands to Elders/Courage, and the merger of their tenanted pubs, look like nothing but upside for GrandMet. But if the details are to amount long-term to more than just financial engineering, carefully tailored in the hope of heading off OFT objections, then GrandMet's ideas must represent the shape of things to come for the whole industry. That is where the issues get tricky.

The likely fall in GrandMet's net gearing to 65 per cent seems rather irrelevant, in view of the £2.65bn of intangible assets in its shareholders' funds. But the cash flow benefits are substantial, and the expected increase in GrandMet's interest cover from 3.6 times in 1989, to more than double that next year, probably deserved a better response than the 2p rise in GrandMet's shares yesterday. The chief financial niggles is the confusion likely to be caused by the £110m balance-sheet provision GrandMet is making against loss of revenue, arising from its exclusive supply contract with Courage.

But the heart of the matter is GrandMet's radical blueprint for the 5,000-plus pubs in its joint venture with Courage. GrandMet wants pubicans to take 20-year leases on the pubs, and pay higher rents with five-year reviews, turning the licensed trade into a straight-forward commercial property investment. If this works, GrandMet's Mr Sheppard will have earned his place in history, and yesterday's deal will look very clever, but it is not a question answerable overnight.

UK invisibles

The curious case of the vanishing invisibles will no doubt be haunting Mr Major as he prepares his Budget speech. Time was when an invisibles surplus was one of the most reliable cornerstones of UK economic arithmetic. But old certainties are disappearing fast. Whatever the talk of individual factors such as EC payments and Hurricane Hugo, the underlying position has been deteriorating for some time. The £200m monthly deficit on invisibles in the fourth quarter makes Treasury forecasts of a £25m surplus in 1990 look very doubtful, and that in

turn reduces the chances that Mr Major will cut, from £15bn, his forecast for this year's current account deficit.

One problem is that UK funds cannot hope to earn overseas the sorts of returns that foreign investors can achieve in the British money markets. Not that that is stopping the institutions from investing abroad - portfolio investment overseas almost quadrupled, to £38bn, between 1988 and 1989. Now we know what happened to the wall of money, it was exported.

BOC

Yesterday's 3 per cent hike in BOC's share price, in response to a vaguely phrased announcement about seeking a US share listing for its health care divisions, is all of a piece with the stock market's over-enthusiastic reaction for ICT's stock-buyback plans. All a company need do to get its shares moving these days is to nod vaguely in the direction of demerger, or share repurchase.

The market seems to have been impressed by the contrast between BOC's multiple, standing at 19 times expected 1990 earnings, with the latest a separate health care company would command, and the lift that would give to BOC's value. A suitable US example is Abbott Laboratories, on a p/s of about 14.

The snag is, first, that BOC would have to keep at least 80 per cent of the health care business if it wanted to retain the benefits of filing a consolidated US tax return. Second, the reason for getting a listing would be to facilitate more US health care acquisitions, in which BOC's recent track record is fairly slender.

Glynwed

A 5 per cent fall in second half

Colgate-Palmolive Company

has acquired

Vipont Pharmaceutical, Inc.

The undersigned acted as financial advisor to Colgate-Palmolive Company in this transaction and as Dealer Manager of its tender offer.

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March 14, 1990

WORLD WEATHER

Location	Temp	Wind	Clouds	Temp	Wind	Clouds	Temp	Wind	Clouds
Algeria	12	10	10	Madrid	10	10	Madrid	10	10
Amsterdam	11	10	10	Moscow	10	10	Moscow	10	10
Antwerp	11	10	10	Munich	10	10	Munich	10	10
Birmingham	11	10	10	Nairobi	10	10	Nairobi	10	10
Bombay	11	10	10	Paris	10	10	Paris	10	10
Buenos Aires	11	10	10	Rome	10	10	Rome	10	10
Calcutta	11	10	10	Sao Paulo	10	10	Sao Paulo	10	10
Cardiff	11	10	10	Seoul	10	10	Seoul	10	10
Cebu	11	10	10	Shanghai	10	10	Shanghai	10	10
Dakar	11	10	10	Singapore	10	10	Singapore	10	10
Dhaka	11	10	10	Tokyo	10	10	Tokyo	10	10
Dublin	11	10	10	Yokohama	10	10	Yokohama	10	10
Harare	11	10	10						
Hong Kong	11	10	10						
Jakarta	11	10	10						
London	11	10	10						
Los Angeles	11	10	10						
Manila	11	10	10						
Mexico City	11	10	10						
Mumbai	11	10	10						
Nairobi	11	10	10						
Paris	11	10	10						
Rangoon	11	10	10						
Reykjavik	11	10	10						
Rio de Janeiro	11	10	10						
Sao Paulo	11	10	10						
Seoul	11	10	10						
Singapore	11	10	10						
Tokyo	11	10	10						
Yokohama	11	10	10						

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INTERNATIONAL COMPANIES AND FINANCE

Alusuisse-Lonza to increase dividend as income soars 47%

By John Wicks in Zurich

ALUSUISSE-LONZA Holding, the Swiss aluminium and chemicals concern, boosted net profits by 47 per cent last year from SF217m (\$142.5m) to SF246m following an 18.5 per cent rise in sales from SF5.96bn to SF7.08bn.

The group, which until the end of last year operated under the name of Swiss Aluminium, is to pay increased dividends for 1989 of SF30 per bearer share, SF15 per registered share and SF3 per participation certificate. This 12 per cent payout compares with one of 6 per cent plus 2 per cent anniversary bonus for the previous year.

In Zurich yesterday Dr Hans K. Jucker, chief executive, said the company expected good results for 1990 though below last year's "exceptional" level.

At the April 19 shareholders meeting, the board is also to propose an increase in share capital from SF5.96bn to a maximum of SF6.13bn to finance "future acquisitions and investments".

This transaction foresees a rights issue whereby holders of 15 existing registered shares will be entitled to buy one new

registered share and holders of 15 existing bearer shares or 150 participation certificates one new bearer share.

Each new share will be equipped with a warrant, every two of which will entitle the holder to purchase a further share in the respective category.

Prices for the new shares and warrant conversions are to be announced on April 4.

The second part of the capital increase involves the issue of up to a nominal SF28.9m exclusive of drawing rights. According to Mr Pius Binkert, chairman, the company does not intend to open up its stock ledger to foreign holders of registered shares. Nor is Alusuisse-Lonza to follow the example of some other Swiss companies in scrapping its (non-voting) participation certificates.

A breakdown of 1989 turnover shows that aluminium sales improved by 17.5 per cent from SF4.18bn to SF4.9bn and those of the chemical division by 21 per cent from SF1.8bn to SF2.17bn. Sales of services dropped 8.3 per cent from SF1.8bn to SF1.6bn.

Stora's 6% gain falls short of forecasts

By John Burton in Stockholm

STORA, Europe's biggest pulp and paper group, yesterday reported a 6 per cent increase in profits after financial items to SEK3.9bn (\$632.1m) in 1989, but warned that earnings could fall in 1990.

Stora proposed a 20 per cent increase in dividends to SEK12 per share. Sales climbed by 6 per cent to SEK42bn.

Mr Bo Berggren, chief executive, confirmed reports that Stora was interested in acquiring the French newspaper producer Châtelain-Darblay. "We are the market leader in newspaper in Europe and it is a position we want to maintain," he said. Mr François Finant, owner of Châtelain-Darblay, has reportedly been considering selling some or all of it.

Stora's profit for 1989 fell short of the company's forecast of SEK4.1bn made in its eighth-month report.

Stora said a profit decline this year was possible due to lower economic growth and increased interest rates in its major markets. The expansion of production capacity among pulp and paper companies worldwide would also increase competition, resulting in lower profit margins.

Strong market demand boosted the profits of its forest product divisions last year by 21 per cent to SEK3.4bn. The improvement was primarily due to its pulp division Stora Cell, which had a 47 per cent rise in operating profits to SEK1.3bn, and its packaging paper and board operations at Billerud, which lifted profit by 28 per cent to SEK774m.

But a slight profit fall of 2 per cent to SEK302m for its newsprint division, Stora News, would appear to be the first sign of tougher times ahead and reflected overcapacity in the US market.

Operating profits at the flooring unit Tarkett, the biggest division in terms of sales at SEK1.18bn, fell by 20 per cent to SEK206m. Akersund & Ransing, the packaging division, reported a loss of SEK1.1bn, reflecting spending on the development and introduction of a plastic laminated can, Celcanex.

Chemicals industry prey to emotion

Peter Marsh finds Bayer eager to improve the sector's reputation

It is a clear, sunny day and the views from Mr Hermann Strenger's office 25 storeys above the outskirts of Cologne are superb. But the panorama of the Rhine making its way through the smokestacks and warehouses of industrial Germany holds out few comforts for Mr Strenger, chairman of Bayer, one of the big three West German chemical groups.

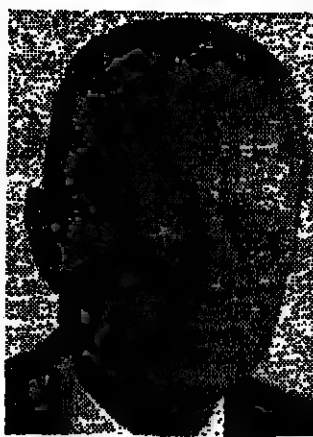
It is the relationship between the outside world and the vast industry which he represents which bothers the chemicals boss. He has a reputation of being one of the best communicators in the European chemicals sector and having a keen grasp of the social issues involved.

Bayer is one of the three West German companies which are the world's largest chemical groups, the other two being BASF and Hoechst. The 61-year-old Mr Strenger has been in charge of Bayer for six years. He also recently took over as president of the VCI, the trade federation for the West German chemicals industry, the biggest in Europe.

In the past five years the chemicals industry has seen strong international growth. Many of the top companies in the field, despite signs of a slowdown in the sector during the past few months, are confident and flush with cash.

The products from the industry, which, with two million employees in western Europe, is one of the region's most important manufacturing sectors, permeate their way into virtually every business and consumer field.

The chemicals sector, however, has a weak spot in that it is one of the most environmentally obtrusive of all industries.



Hermann Strenger: people make emotional judgments

Its plants are known less for their products than for their ability to cause pollution.

The surge in interest in environmental issues - probably more marked in West Germany than anywhere else - has put the industry under increasing pressure.

It has also led, in West Germany in particular, to new, tough environmental laws setting out strict standards covering emissions of waste chemicals into the air and rivers. These are expensive to comply with and make life difficult even for a big, international company such as Bayer. Exaggerating only a little, some in the German chemicals business say the antagonism with which the industry is viewed in Germany puts its very survival at risk.

Mr Strenger says many of the problems faced by Bayer stem from the habit of Germans to fret about almost everything. In the US, a big market for Bayer, things are better, says Mr Strenger.

"Americans are more pragmatic about these issues. Here so many people make emotional judgments."

One of the difficulties, says the Bayer head, is the hidden, diffuse nature of chemicals production. Much of it involves mixing up liquids and gases with near-unpronounceable names inside closed pipes and pressure chambers. The average person, wandering around a chemicals factory, has no idea what is going on. "For most people, chemicals is a mystery," says Mr Strenger. "You can't touch the products with your hands."

Mr Strenger says that at Bayer the company is doing its utmost to explain itself and break down people's fear. The group runs meetings with citizens' organisations - these are called *Hallo Nachbar!* (Hello Neighbour) evenings and come complete with entertainers to draw in the crowds - to discuss technical points concerning pollution.

The Bayer head has also promoted to senior positions a number of relatively youthful managers who are widely travelled and good at talking to outsiders.

"We have tried to convince people we are honest and reliable partners," says Mr Strenger. "In the last few years we have made some progress and I am reasonably optimistic."

Heightening environmental worries have led to special problems for the German chemicals industry in the field of genetic engineering. Such ideas for manipulating biological material at a cellular level promise technical breakthroughs in areas such as drugs and pesticides.

But in West Germany the

developments have run into well-organised opposition from "green" citizens groups. The pressure has led to a virtual legislative ban on new production processes which use biotechnology.

Mr Strenger is intensely worried about the objections to genetic engineering.

He foresees more biotech research being driven away from Germany to the US - where Bayer, together with Hoechst and BASF, is already establishing its own genetic-engineering laboratories.

On the question of contacts with "green" pressure groups, Mr Strenger says he wants to have a detailed dialogue. "Some of the groups want to talk and listen to facts. I'd put Greenspeaks in this category. We are absolutely prepared to deal with them. But with some of the others [of the more radical pressure groups] it is difficult to enter a discussion."

As to the severity of the laws in West Germany pertaining to the environment, Mr Strenger says he cannot complain about a civilised society having a strong set of rules governing such a large and diffuse industry as chemicals. But he says the politicians in charge of the laws "are overdoing it."

Partly due to the tightening laws, Mr Strenger says that a DMS3n (\$1.7bn) programme Bayer announced in 1987 to improve the environmental performance of its West German factories will probably be finished in five years rather than the envisaged eight. He says he is not against the idea of new "green" taxes which would seek to penalise environmentally-damaging industrial activities.

First store in Spain for Marks and Spencer

MARKS AND SPENCER opened a five-storey store on Madrid's prestigious Calle de Serrano yesterday, the first of what will be 10 branches of the British retail chain in Spain, writes Tom Burns in Madrid.

The Madrid store, which represents a total investment of close to Ptas1bn (\$3m), is the result of a joint venture in which the Spanish clothing chain, Cortefiel, has a 33 per cent stake in Marks and Spencer España.

It is estimated that 30 per cent of the half a million Spaniards who visit the UK every year shop at Marks and Spencer. "We appeal to the middle market in Spain," said Mr Manuel Martínez, general manager of the Madrid store.

■ Instituto Nacional de Industria (INI), the Spanish public sector holding company, more than doubled its pre-tax profits last year to Ptas2bn from Ptas1bn in 1988, writes Tom Burns.

The advance reflected a marked improvement in INI's steel-producing interests, which showed a profit for the first time since the early 1970s and reduced losses in its capital goods and defence divisions.

However, Mr Jordi Mercader, chairman, warned that the group could face difficulties this year and that it was "racing against the clock" to be competitive before the creation of Europe's single market.

■ Ahold, the largest Dutch retailer, yesterday reported record 1989 net earnings of F194.6m (\$101m), an increase of nearly 34 per cent over the previous year, helped by strong performances on the home and US markets, writes David Brown in Amsterdam.

Group sales advanced by 15.7 per cent to F17.7bn. The operating result rose by 51 per cent to F3.2bn. Of this, F1.6bn was generated in the Netherlands (up 31 per cent) and F1.6bn in the US (up 23 per cent). In the fourth quarter, net earnings rose 39.9 per cent to F1.58bn, on 18 per cent higher sales of F1.43bn. The group strengthened its home retail market position to an effective 35 per cent in 1989.

Paribas seeks partner for troubled trading company

By George Graham in Paris

PARIBAS, the French banking and investment group, is on the look-out for a new partner for Scoa, the troubled west African trading company of which it owns 29.5 per cent, following the failure of a planned co-operation with Lonrho, the British conglomerate.

Scoa has been one of Paribas' outstanding problems for around 10 years, with record losses of FF230m (\$35.3m) in the first half of 1989.

Last October Paribas reached an agreement with Lonrho, under which the British group, which is widely represented in Africa, would become a shareholder in Scoa through a FF730m rights issue, coupled with a FF270m convertible bond issue, underwritten by the two groups.

To general surprise, the rights issue was fully taken up, while at the same time "major differences" emerged between the two partners over the commercial strategy to adopt for Scoa, with the result that Lonrho withdrew from the agreement.

Paribas officials note that two of Scoa's three main problems have been settled: its capital has been restored, and it has shed some of its less successful diversifications, such as the distribution of bicycles in the US and motor parts in France, and a fishing business on the Ivory Coast.

The third leg of the restructuring plan, however, remains incomplete: the search for a complementary international partner.

Aker sells off oil assets

AKER, Norway's biggest privately-owned industrial group, sold yesterday that it had disposed of assets related to the offshore oil sector for NOK360m (\$54.6m), making a profit on the deal of more than NOK100m, writes Karen Fosha from Oslo.

Aker sold a 75 per cent stake in the Petroljet 1 oil production test vessel to Norwegian shipping company Det Norske Dampskipselskap.

The deal included the sale of a 21 per cent stake in Golar-Nor Offshore, the management company for the Petroljet 1, and a 75 per cent stake in chartering company Petrocharter.

Aker said the deal was part of its programme to divest interests in floating production and drilling units. However, the company is retaining a 30 per cent stake in Golar-Nor and has established a technology co-operation agreement.

Mediobanca rises by 69%

MEDIOBANCA, the Italian merchant bank, has paid L131bn (\$24.6m) for a 2.1 per cent stake in Société Industrielle de Pétrole, the Swiss financial holding that controls the Pirelli industrial company, writes Haig Shmonian.

Pre-tax profits before provisions at Mediobanca soared by 69 per cent to L276.7bn in the second half of 1989, thanks to buoyant lending and a lively commission business, particu-

larly for equity-related deals. Almost L72bn of the L112.8bn rise in the bank's profits, compared with the corresponding period in 1988, stemmed from lending and capital markets business. The remaining L40bn related to undisclosed net extraordinary items, the bank said.

Lending rose by 16 per cent, or L1.637bn, to L11.870bn, against a rise of L549bn in the corresponding period of 1988.

These bonds having been sold, this announcement appears as a matter of record only.

CAP GEMINI SOGETI

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Domestic offering of FF 1,080,000,000

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Banque Nationale de Paris	Caisse Nationale de Crédit Agricole
Caisse des Dépôts et Consignations	Société Générale
Credit Commercial de France	

International offering of FF 450,000,000

Lazard Frères et Cie	Banque Indosuez
Algemene Bank Nederland N.V.	BNP Capital Markets Limited
Credit Lyonnais Securities	Credit Suisse First Boston Limited
Daiwa Europe Limited	Deutsche Bank Capital Markets Limited
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February 1990

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INTERNATIONAL COMPANIES AND FINANCE

Canada's airlines wait for stormy weather

Bernard Simon on companies' preparations for a downturn as the economy slows

Canada's two leading airlines have switched on their Fasten Seatbelts signs for what may be a fairly long and uncomfortable period of turbulence. A taste of what lies ahead came with the recent announcement of 1989 earnings from Air Canada and PWA Corporation, the holding company of Canadian Airlines International.

The fourth quarter was the worst for Air Canada, which suffered an operating loss of C\$44m (US\$37m). For the year, the airline made C\$148m, more than half of which came from the sale of just over a third of its interest in GPA Group, the Irish aircraft leasing company. PWA's 1989 net loss of C\$68.5m, with an operating loss of C\$10.4m, put it in the red for the first year in almost two decades. The immediate outlook is not promising. Travel agents' bookings fell by 8 per cent in the final three months of last year, a bad omen for 1990.

Fuel costs have risen, and both airlines face tough negotiations this year for new labour contracts with most of their employees. On top of this, in January next year, a new consumption tax will add 7 per cent to the price of all Canadian airline tickets.

In acknowledgment of these strong headwinds, Air Canada and Canadian are either

grounding or selling a substantial part of their fleets to cope with over-capacity. Air Canada has grounded two Lockheed L-1011 Tristars. PWA is selling all 12 new Airbus A-310s and two Boeing 747s it acquired when it bought Wardair last April.

The immediate cause of the airlines' discomfort is a softening economy in which consumer spending, in particular, has dried up.

For instance, Air Canada's passenger load factor fell from 71.4 per cent in 1988 to 68.7 per cent last year. Although Canadian Airlines' load factor averaged 67.3 per cent for the year, it slid to 62.5 per cent in December. The soft economy comes on top of a demanding new year.

Three years ago, Canadian Airlines was a Calgary-based regional carrier called Pacific Western Airlines (hence the holding company's name). PWA has absorbed four other airlines since, including Wardair.

Air Canada has been privatised in two stages. It is now listed on the Toronto Stock Exchange (TSX), and is subject to the investment community's scrutiny and the market-place.

The market-place itself has changed, with almost all constraints dropped for entry of

new domestic airlines and adjustments to fares or routes. The new flexibility was illustrated late last year when Intair, a small Montreal carrier, pulled out of an affiliation with Canadian Airlines and started regular services between Montreal and Toronto.

Net income (before preferred dividends)		
	Air Canada	PWA Corp
1989	22	22.1
1988	22	13.4
1987	48	36.1
1986	48	36.1
1985	48	36.1
1984	148	(58.0)

Includes 1989 share sale of part of interest in GPA

adding 15 per cent to capacity on the route. As the two big airlines have concentrated on the busiest routes between big cities, smaller carriers flying turboprops and small jets have proliferated in more remote parts of the country.

Yellowknife, the Northwest Territories capital with a population of 11,000, is served from the south by three airlines.

Most of the smaller carriers are affiliated with either Air Canada or Canadian, synchronising timetables, promoting each other's services and even sharing aircraft colours.

At first glance Canadian appears to be the weaker of the

two big carriers. It lost domestic market share to Air Canada last year as it withdrew about 13 per cent of its capacity following the Wardair purchase.

Within the next year or two, Air Canada expects to begin flying westward to Japan, South Korea and Singapore, breaking Canadian's monopoly on transpacific routes.

With a strong charter arm and Wardair's business, Canadian relies more heavily on the volatile leisure market than its rival. Furthermore, its parent company has a sizeable debt burden, with a debt-to-equity ratio of 1.4:1, including C\$600m in borrowings inherited from Wardair.

Canadian's share price on the TSX has fallen much further in the past year than Air Canada's.

But Canadian has what it hopes is an ace up its sleeve. Half its revenues are generated by traffic passing through the antiquated and inefficient Terminal One at Toronto's Pearson International Airport, the third busiest entry point for international traffic in North America, after New York's JFK and Los Angeles. Terminal One has a design capacity of 3m passengers a year, but is handling over 10m.

Reflecting the congestion at Terminal One, this summer Canadian will extend its minimum connection time in

Toronto from 30 minutes to 40-45 minutes.

Canadian is due to move to more spacious, modern facilities in September, when the airport's third terminal opens. Analysts expect the new terminal to be a major draw for passengers, if only as a temporary curiosity. One sign of Air Canada's concern is that it is upgrading its own terminal.

The new terminal will have an important impact on Canadian's European services. Lufthansa, which uses Air Canada's facilities in Toronto, will move to Terminal Three, while extending to central Canada the marketing and code-sharing alliance between the two in the West. As a result, Canadian expects its long-standing European hub in Amsterdam to shift to Frankfurt.

Canadian also expects that the sale of 14 aircraft over the next 30 months will enable it to pay off its Wardair debt, with some left to buy a new set of Boeing 747s and Airbus A-320s. The company forecasts a decline in its debt-to-equity ratio to 1.1:1 by the end of 1990.

Canada is confident that, with the belt-tightening needed to integrate its acquisitions over the past three years, it will be better able than its rival to cope with a protracted downturn in business.

Chrysler clinches deal with Austrian company

By Kevin Done, Motor Industry Correspondent

CHRYSLER, the third largest US vehicle maker, yesterday signed a final agreement with the Austrian Government and Steyr-Daimler-Puch, the Austrian automotive and engineering company, to form a joint venture vehicle assembly company in Graz.

Chrysler and Steyr-Daimler-Puch Fahrzeugtechnik, the Austrian group's automotive engineering subsidiary, are to form a 50:50 venture, called Eurostar, to assemble Chrysler's Voyager minivan, one of the US group's most successful vehicles in the North American market.

The two sides have approved a total investment of Sch.1.35m (\$61m) for the project, which will have an eventual production capacity of 100,000-125,000 vehicles a year.

The Austrian authorities aim to provide subsidies to cover 33 per cent of the total capital investment, with 20 per cent coming from the Federal Government, 10 per cent from the province of Steiermark and 3 per cent from Graz.

In the first phase of the project, the two companies will invest Sch.1.6m (\$133m) to establish an initial production capacity of 25,000-30,000 vehicles a year. Production is scheduled to begin in the first half of next year.

The first phase will create about 1,200 jobs, of which around two thirds will be in assembly, with the balance involved in component sub-as-

semblies and in development and engineering of European features for the Voyager range.

If all four stages of the project are implemented, the total workforce could rise to 4,200.

Initially Chrysler aims to reach a 50 per cent European local content, but this is planned to rise later to 70 per cent in the second stage. The third stage will increase capacity to 50,000-70,000 vehicles a year.

Petrol engines, gearboxes and some sheet metal panels will be imported from the US, but Chrysler also plans to offer an Italian 2.5 litre turbo diesel engine from VM Motori, similar to the diesel engine fitted by Rover Group to its Range Rover.

The Graz joint venture plant will produce all the Chrysler Voyagers for Europe.

Chrysler shipped 50,000 vehicles to Europe last year from the US, and Mr Robert Lutz, president of Chrysler Motors, said this was expected to increase by more than 20 per cent this year to 60,000-70,000 vehicles.

European sales, including vehicles produced locally, are expected to rise further to more than 100,000 by 1993, and to 150,000-200,000 by the late 1990s.

Chrysler expects its 800-strong European dealer network to rise to 1,000 by the end of 1990.

CanPac softens bid defence

By Robert Gibbons in Montreal

CANADIAN Pacific has softened its bid defence against hostile takeovers because of complaints from the investment community that it was too rigid.

Last December, CP, Canada's fourth largest conglomerate, proposed a poison pill designed to allow shareholders to pay new common stock one-for-one at a 50 per cent discount from the market price to repel a hostile bidder.

A holding of 10 per cent of CP's common stock would have triggered the defence, designed mainly to ensure a bid would be extended to all stockholders and meet their approval at a special meeting. The investment community said that managers might have triggered the pill and claimed the procedure for "poisoned pills" was too complex.

CP has raised the trigger to 15 per cent of outstanding common stock. The poison pill plan, to be approved at the annual meeting on May 3, will be effective for five years instead of 10 before being rescinded to shareholders. CP will also seek approval on May 3 for its distribution of 80 per cent of Marathon Realty, its property development subsidiary, to its existing shareholders.

The company paid fourth-quarter earnings of C\$190.7m (US\$162m) or 60 cents a share, down 3 per cent from C\$206.6m or 65 cents a year earlier, on revenues of C\$2.9m, against C\$2.7m. CP Rail and Marathon provided higher contributions.

After adjustments this brought final 1989 earnings to C\$745.2m or C\$2.35, down 9 per cent from C\$810.1m or C\$2.60 in 1988. Revenues were up 1 per cent to C\$11.6m.

American Stores climbs to \$118m

AMERICAN Stores, the largest US supermarket chain, reported a sharp improvement in earnings for the fourth quarter and whole of 1989, led by strong performance from the company's drug store and Lucky Stores, writes Karen Zagor.

American's net profits for the 14 weeks ended February 8 rose to \$3.1m or \$1.81 a share from \$2.0m or \$1.21 a share for the 13-week fourth quarter a year earlier. The latest quarter included a non-recurring gain of 18 cents a share from asset sales.

Sales improved 14 per cent to \$6.14m in the latest quarter. On a comparable store basis, sales rose 4.7 per cent from \$5.89m. Operating profits jumped 45.4 per cent to \$196.7m from \$135.3m.

Net profits for the 53 weeks of 1989 advanced to \$118.1m or \$3.45 a share from \$98.2m or \$3.54 for the 52 weeks of 1988. The latest year's earnings included extraordinary items which resulted in a gain of 69 cents a share. In 1988 there was an extraordinary gain of 53 cents a share.

Sales grew 19.1 per cent to \$22bn, or by 5.7 per cent on a comparable store basis. Operating profits increased 35.5 per cent to \$603.5m in the year ended February 3 from \$444.3m the previous year. The company said all of its major subsidiaries reported improved operating profits for both the latest quarter and year.

Macy's in red midway as competition cuts prices

By Karen Zagor in New York

R.E. MACY, the big department store chain which was taken private in a \$1.6bn management-led leveraged buy-out in 1986, yesterday reported a 20m loss for the second quarter.

Macy's management had warned investors in February to expect weak results. The company was hard hit by the surge in promotional activity before Christmas, when competition from struggling department stores, such as Bloomingdale's, forced prices sharply lower.

Some analysts are worried about Macy's \$5.6bn debt burden, and prices of its junk bonds fell sharply in February. However, the recent announcement caused little surprise, and Macy's high-yield bonds were only fractionally lower at midday yesterday.

Analysts do not yet expect Macy to follow other highly leveraged US department stores, such as Federated and Altic, into filing for bankruptcy protection.

CP has raised the trigger to 15 per cent of outstanding common stock. The poison pill plan, to be approved at the annual meeting on May 3, will be effective for five years instead of 10 before being rescinded to shareholders. CP will also seek approval on May 3 for its distribution of 80 per cent of Marathon Realty, its property development subsidiary, to its existing shareholders.

bert Harrison, chairman of Finance, a New York merchant banking company specialising in retailing.

In a filing with the Securities and Exchange Commission, Macy's reported a net loss of \$39m for the three months ended January 27 compared with net income of \$72.8m a year earlier. The 1989 results included an extraordinary charge of \$4.8m.

Net sales in the latest three months grew to \$2.44bn from \$2.28bn in 1988, while comparable store sales improved 5.4 per cent in the recent quarter.

Selling, general and administrative expenses as a percentage of sales rose to 21.5 per cent in the latest quarter from 20.5 per cent a year earlier. The increase was attributed, in part, to higher costs of improved customer services.

For the first half, Macy's had a net loss of \$72.2m against net profits of \$33.6m a year earlier. Sales in the latest six months advanced to \$4.15bn from \$3.50bn the year before. Expenses as a percentage of sales were 23.3 per cent against 22.5 per cent in 1988.

Notice to the Holders of

American General Corporation

6% Convertible Subordinated Debentures Due 2000

NOTICE IS HEREBY GIVEN, pursuant to the Indenture, dated as of May 30, 1985, as supplemented (the "Indenture"), between American General Corporation (the "Company") and Citibank, N.A., as Trustee, relating to the Company's 6% Convertible Subordinated Debentures Due 2000 (the "Debentures"), that holders of the Debentures may, at their option and in accordance with the terms of the Indenture, elect to have the Company redeem their Debentures, as a whole or in part, as described below under the heading "Exercise of Option to Elect Redemption," on May 30, 1990 (the "Redemption Date"), at a Redemption Price of 119 1/4% of the principal amount to be redeemed.

Notwithstanding the redemption of any Debentures, interest payable on May 30, 1990 will be paid in the normal manner.

Exercise of Option to Elect Redemption. For Debentures to be redeemed at the election of a holder, the Company must receive, at an appropriate office of one of the paying and conversion agents listed below, the Debentures to be redeemed (together with all appurtenant coupons maturing after the Redemption Date in the case of Bearer Debentures), accompanied by a written notice to the Company substantially in the form of the NOTICE OF REDEMPTION AT HOLDER'S OPTION on the reverse of the Debentures, on or after March 30, 1990 and until and including, but not after, the close of business on April 30, 1990.

Registered Debentures may be redeemed in increments of U.S. \$5,000. Bearer Debentures may be redeemed as a whole but not in part. If any Bearer Debenture surrendered for redemption is not accompanied by all appurtenant coupons maturing after the Redemption Date, the amount of any such missing coupons will be deducted from the Redemption Price otherwise payable. No payment with respect to any Bearer Debenture will be made at the corporate trust office of the Trustee or any other paying agency maintained by the Company in the United States or by check mailed to an address in the United States or by transfer to an account in the United States.

Exercise of the option to elect redemption is irrevocable, except as described below under the heading "Right of Conversion."

Right of Conversion. Holders of Debentures who give such notice of election of redemption will retain the right to convert such Debentures into American General Corporation Common Stock ("Common Stock"), provided that written notice substantially in the form of the CONVERSION NOTICE on the reverse of the Debentures and the holder's nontransferable receipt of deposit representing such Debentures are delivered to the paying and conversion agent holding such Debentures at or prior to the close of business on May 30, 1990, and the requirements of the Indenture relating to conversion are met. In the event such Debentures are converted on (but not prior to) May 30, 1990, the holder will be entitled to receive the interest payable on such Debentures on such date.

The Debentures may be converted into shares of Common Stock at the Conversion Price of U.S. \$40 1/4 per share, plus any aggregate principal amount of Debentures for each share of Common Stock. The closing price of the Common Stock on the New York Stock Exchange on February 26, 1990 was U.S. \$29 1/4 per share.

Paying and Conversion Agents. The paying and conversion agents to which Bearer Debentures and Registered Debentures may be surrendered for redemption or conversion are listed below. Any questions with respect to the procedures for redemption or conversion should be directed to an appropriate agent.

Citibank, N.A.
New Main Street 40/42
D-6000 Frankfurt/Main 1
Federal Republic of Germany

Citibank, N.A.
Avenue de Tervuren, 249
B-1150 Brussels
Belgium

Citibank Investment Bank (Switzerland)
Bahnhofstrasse 63
P.O. Box 244
CH-8021 Zurich
Switzerland

Citibank, N.A.
Corporate Trust Services
111 Wall Street, 5th Floor
New York, NY 10043
United States ("Trustee")

Citibank Investment Bank (Luxembourg) S.A.
16, Avenue Marie-Thérèse
Luxembourg
Grand Duchy of Luxembourg

Citibank, N.A.
Citibank House
536 Strand
London WC2R 1HB
England

Citibank Investment Bank
(Luxembourg) S.A.
16, Avenue Marie-Thérèse
Luxembourg
Grand Duchy of Luxembourg

Citibank, N.A.
Avenue de Tervuren, 249
B-1150 Brussels
Belgium

Citibank Investment Bank (Switzerland)
Bahnhofstrasse 63
P.O. Box 244
CH-8021 Zurich
Switzerland

March 7, 1990

American General Corporation

Withholding of 20% of gross redemption proceeds of any redemption payment made on Registered Debentures may be required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agent has the correct taxpayer identification number (social security or employer identification number) of or an exemption certificate from the payee. If you surrender Registered Debentures for payment, please furnish a properly completed Form W-9 or exemption certificate or equivalent.

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CONDENSED CONSOLIDATED STATEMENTS OF CONDITION

(In Thousands of US\$ except per share data)

Assets	December 31,		Liabilities and Shareholders' Equity	December 31,	
	1989	1988		1989	1988
Cash and due from banks	102,601	58,903	Client deposits	3,282,081	2,086,133
Interest bearing deposits with banks	2,564,434	2,167,567	Bank deposits	1,208,247	832,167
Precious metals	769	4,134	Total deposits	4,490,328	2,918,300
Investment securities	1,812,588	921,762	Short term borrowings	71,869	30,801
Trading account securities	17,174	15,029	Acceptances outstanding	679	6,966
Loans, net of unearned income	1,033,071	737,360	Other liabilities	86,194	50,953
Allowance for possible loan losses	(6,403)	(6,064)	Long term debt	71,111	74,486
Loans (net)	1,026,668	731,296	Shareholders' equity:		
Customers' liability on acceptances	679	6,966	Common stock	89,155	89,155
Other assets	193,736	115,560	Surplus	819,578	819,955
Total assets	5,718,649	4,021,217	Retained earnings	89,735	30,601
			Total shareholders' equity	998,468	939,711
			Total liabilities and shareholders' equity	5,718,649	4,021,217

Summary of results

	Year ended December 31,	
	1989	1988
Net income	62,947	22,619
Net income per share	US\$ 3.53	US\$ 2.26
Average shares outstanding (in thousands)	17,831	10,019

Safra Republic Holdings S.A.
32, Boulevard Royal - 2449 Luxembourg - Tel. (493) 31 18 - Fax (493) 31 226 - Telex 3320 RBNBY LU

Banking Subsidiaries
Republic National Bank of New York (Suisse) S.A.: Head office in Geneva and branches in Lugano, Zurich and Gernsey
Republic National Bank of New York (France) S.A.: Head office and 3 branches in Paris and 1 branch in Monaco
Republic National Bank of New York (Luxembourg) S.A.: Head office in Luxembourg
Republic National Bank of New York (Guernsey) Ltd.: Head office in St. Peter Port
Republic National Bank of New York (Gibraltar) Ltd.: Head office in Gibraltar

AFILIUM
Republic National Bank of New York in New York and 26 business centers around the world

Simmer and Jack Mines Limited

(Incorporated in the Republic of South Africa)

Registration number 01/0778/06

Summary of 1989 results

	Year ended	
	31 December 1989	31 December 1988
Turnover	7 112	5 058
Operating profit	5 025	1 844
Interest paid	1 948	1 329
Net operating income/(loss)	3 077	(525)
Taxation	428	(822)
Profit after taxation	2 649	422
Extraordinary item	369	
Net income for year	2 948	422
Retained income at 1 January	10 108	9 696
Retained income at 31 December	13 056	10 108
Earnings per share (cents)	43.67	6.99

- Notes
- Simmer and Jack Project: The royalty amounted to R4,558 million compared to R2,723 million for 1988.
 - Interest paid: Accrued interest for the long-term loan.
 - Lead sales: Current lead sales amounted to R1,864 million compared to R1,732 million in 1988.
 - Dividend: In view of the pending rights issue and the stated objectives of strengthening the position of the company, it has been decided that no dividend be declared for the year 1989.

For and on behalf of the board

For and on behalf of the board
Glyn Limited
Registration number 01/0072/07

Secretary
per M G Hayward
13 March 1990

London registers and share transfer secretaries
Barclay's Registered Limited
4 Grosvenor Place
London, SW1 1PL

Registered Office
5th Floor, Green Lane
3 Green Lane
Sandton
South Africa

Share transfer secretaries
Under Registrars Limited
94 President Street
Johannesburg
2001

Pratt's Sharelist A7150

BARCLAYS UNI-AMERICAN GROWTH TRUST BARCLAYS UNIBOND TRUST

Notice is hereby given that following the termination of the above Funds and their amalgamation with Barclays Investment Funds (Luxembourg), the final distributions (inclusive of equalisation where applicable) due to Shareholders for the period from 1st October, 1989 and 3rd May, 1989 respectively, to 12th January, 1990 become due for payment on or after the 23rd March, 1990.

The distribution due in respect of Barclays Uni-American Growth Trust represented by coupon number 15 is US\$13.63 per share, net after the deduction of withholding taxes and management fees (gross equivalent US\$17.76 per share).

The distribution due in respect of Barclays Unibond Trust represented by coupon number 12 is US\$5.78 per share gross.

The above coupons should be sent for payment, accompanied by the original certificate, all other unrepresented coupons and the coupon to the office of any of the Paying Agents named below, and left for three days for examination. Coupon listing forms may be obtained from the Paying Agents. We recommend that all certificates be sent by Registered Mail.

All certificates and unpaid coupons will then be cancelled, and replaced by new certificates to be issued by Barclays Investment Funds (Luxembourg). The claimants full name and address, and delivery instructions for the new certificates, should be provided to the Paying Agents upon lodgement of the existing certificates.

Copies of the reports for each Fund for the period ended 12th January, 1990 from the previous annual accounting date will be available to Shareholders at the offices named below:-

The Hongkong and Shanghai Banking Corporation, P.O. Box 59, Bender Seri Begawan, NEGARA BRUNEI DARUSSALAM.

Barclays International Limited, P.O. Box 82, 39/41 Broad Street, St. Helier, Jersey, CHANNEL ISLANDS.

Barclays Bank (Hong Kong) Nominees Ltd., G.P.O. Box 29, HONG KONG.

Bank Bumi Daya, Jalan Juanda No. 20, Jakarta, INDONESIA.

Benque Internationale à Luxembourg S.A., Boite Postale 2205, 2 Boulevard Royal, LUXEMBOURG.

Mid-Med Bank Limited, Services Office, 233 Republic Street, Valletta, MALTA.

Bank of Nauru, P.O. Box 289, NAURU.

Barclays Bank (Netherlands) NV, Postbus 160, 1000 AD Amsterdam, NETHERLANDS.

Australia & New Zealand Banking Group Limited, P.O. Box 1896, Wellington, NEW ZEALAND.

Papua New Guinea Banking Corporation, P.O. Box 78, Port Moresby, PAPUA NEW GUINEA.

Barclays Bank (Switzerland) S.A., 15 Rue de Rive, CH-1204 Geneva, SWITZERLAND.

Barclays Bank PLC Stock Exchange Services Dept., Second Floor, 54 Lombard Street, London EC3P 3AH, UNITED KINGDOM.

* CAUTION in certain circumstances U.K. Tax may be deducted by this paying agent only.



BARCLAYS UNICORN INTERNATIONAL (CHANNEL ISLANDS) LTD.

INTERNATIONAL COMPANIES AND FINANCE

Foster's Brewing sees global sales of A\$9bn

By Chris Sherwell in Sydney

FOSTER'S Brewing Group, the beer producer which is to emerge from the restructuring of Australia's Elders IXL, expects to have worldwide sales of A\$9bn (US\$6.82bn) following yesterday's agreement with the UK between its Courage subsidiary and Grand Metropolitan.

Elders IXL said the transaction would make Foster's the world's fourth largest brewer, while asset sales associated with the reconstruction would leave it showing net tangible assets of A\$1.7bn.

Under the agreement, Courage is to purchase GrandMet's UK brewing and brands interests and its beer distribution and wholesaling activities while Courage's 4,940 pubs will merge with GrandMet's 3,570 pubs in a joint venture.

"The deal is cash neutral for us because the cost of the breweries is paid for by the release of cash from the pub restructuring," Mr Peter Bartels, who is to be chief executive of Foster's Brewing, was quoted as saying. "We have become the UK's second big-

gest brewer for no outlay to our shareholders."

The enlarged Courage will form the European arm of Foster's Brewing. Its other interests, apart from a half share in the UK pubs company, will be in Australia, through the wholly owned Carlton and United Breweries, and in North America through a 50 per cent share in Molson Breweries.

According to a projected post-reconstruction balance sheet, offered by Elders as a guide to the standing of Foster's, tangible assets of Elders

will be reduced from A\$8.5bn in June 1989 to A\$5.1bn for Foster's Brewing Group by June 1991.

This will be achieved with the planned sale of A\$2.6bn in assets and the spin-off of Elders' agribusiness. Against this, Elders said debt would be reduced by A\$400m to A\$1.5bn, its convertible note obligations were already down marginally and payables and provisions would stand unchanged at A\$1.6bn.

The overall debt-equity ratio would be 1:1 after allowing for

the asset sales and for A\$2.7bn in capital returns under the planned reconstruction. About A\$1bn in asset sales had been completed since June 1989, and another A\$1.6bn was scheduled by June 1991.

Shareholders' funds would be reduced from A\$4.03bn in June 1989 to A\$2.2bn in June 1991, primarily due to the capital return. A revaluation of brand names and trade marks was expected to add approximately A\$2bn to assets and shareholders' funds, Elders said.

Newly-launched NZ TV group's share price falls

TV3 NETWORK, a recently-launched commercial television channel in New Zealand, said yesterday it foresaw a need for additional funding. However, it was not aware of any reason for the recent sharp fall in its share price, Reuters reports from Wellington.

In response to a stock exchange query, TV3 said it intended to make further staff reductions in response to poorer than expected ratings but had no reason to believe anyone had bought or sold shares on the strength of the plan.

The stock fell 45 cents to close at 60 cents, halved from Friday's level. TV3 is 15 per cent owned by NBC, a unit of General Electric of the US. A 15 per cent stake was sold to the public in November at NZ\$2.50 a share.

"Arrangements are currently being discussed" for additional funding, it said. The detailed review "will include a revised business plan prepared by the management."

The company has moved to appoint Mr Pat Wallace, a former NBC executive, as chief operating officer.

The board plans to issue a more detailed statement on the move after its meeting on March 25.

Units hold Hongkong Bank to 11% gain

By John Elliott in Hong Kong

POOR RESULTS from US and Australian offshoots last year hit the performance of Hongkong and Shanghai Banking Corporation, where profits after tax and transfers to inner reserves rose by only 11 per cent to HK\$4.77bn (US\$610m).

The unexpectedly low outcome, partly caused by the bank's exposure to Australia's ailing Bond Corporation, was accompanied by an announcement of a substantial HK\$13.79bn strengthening of the bank's capital base following independent property valuations.

The property surplus was considerably higher than had been expected. The bank announced yesterday that it had been credited to published reserves, which rose to HK\$38.13bn at the end of last year from HK\$24.88bn a year earlier.

However, the board has decided not to disclose the full inner reserves, nor the total amount being transferred this year. Shareholders' funds rose from HK\$24.88bn to HK\$38.13bn.

Mr William Purves, the chairman, declined last night when he announced the results to indicate any timetable either for the disclosure of inner

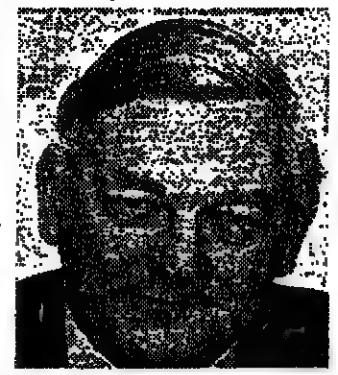
reserves or for an announcement of a closer link with Midland Bank of the UK, in which Hongkong and Shanghai owns 14.9 per cent. The relationship after tax and transfers to inner reserves was expected to change by the end of the year when a conditional three-year moratorium on the 14.9 per cent stake expires, was "excellent and developing."

Mr Purves, who is known personally to favour the hidden reserves system, said last October that disclosure was being considered, mainly because of international trends.

Another factor cited by Swiss and West German banks had not moved the trend forward in the past year. "I think we will wait for steps to be taken by other banks," he added.

"When these banks do move I am sure the board will consider it." In the meantime, it had been decided to move gradually towards full disclosure, starting with transfer of the HK\$13.79bn property surplus to disclosed reserves.

The 11 per cent profit increase for last year compared with a 13.7 per cent rise in 1988 and was well below forecasts. It was the result of "conservative provisions against specific parts of the loan portfolios" of the New York-based Marine



William Purves: waiting for steps by other banks

Midland and Hongkong Bank of Australia, whose results Mr Purves said were "disappointing."

The Marine Midland profits, announced a month ago, fell last year to US\$14m from US\$16m because of an unexpectedly large increase in provisions of US\$263.3m for US domestic loan losses.

A substantial part of the Australian provisions were for bad debts arising from Bond Corporation's financial difficulties.

These and other problems pulled Hongkong Bank of Aus-

tralia into a consolidated loss of A\$1.6m (US\$22m) compared with a A\$10.8m profit. The bank said there had been charges of A\$145.2m "in respect of specific and general provisions for doubtful debts and bad debt write-offs."

In Hong Kong, despite a marked slowdown in the economy to a gross domestic product growth rate of only 2.5 per cent last year, loan demand remained buoyant and the performance of the banking sector was "encouraging."

Another subsidiary, British Bank of the Middle East, yesterday announced its best results ever with an after-tax profit of £22.56m (US\$35.8m), up from 1988's £17.4m. After equity accounting for the results of the Saudi British Bank associate, the attributable profit was £30.7m compared with £29m.

Mr Purves announced a final dividend for Hongkong and Shanghai of 23 cents, bringing the total for the year to 42 cents, 15.5 per cent up on 1988. The property revaluation, which includes Hongkong and Shanghai's 61.48 per cent share of Hang Seng Bank, produces a book value of HK\$9.05 a share compared with a current traded price of around HK\$7.45.

James Capel edges back into profit

By Richard Waters

JAMES CAPEL, the London stockbroker owned by Hongkong Bank, edged back into profit in 1989 after two years of heavy losses resulting from difficult market conditions and overseas expansion.

Its 24.6m (\$7.4m) pre-tax profit, compared with a loss of £32.4m the year before, marked "a significant recovery after a year in which we had spent a lot of money develop-

ing our businesses," said Mr Peter Guinness, chairman.

He put the 1989 losses down mainly to the fact that, rather than buying overseas broking operations and writing off the goodwill against reserves, Capel's policy was to build its own businesses and take the development costs through its profit and loss account.

During 1989 there had been a significant increase in trad-

ing volumes and market share in almost all areas, he said.

In Japan, Capel moved into profit after incurring a loss of more than £7m in 1988, the largest single factor in the improvement. Heavy losses in Australia were also largely stemmed. Other significant improvements came from the firm's fixed-income division and its French broking.

"In spite of its leading mar-

ket share in UK equities, where it claims more than 9 per cent of customer business, Capel again only made a marginal profit. Mr Guinness put this down to the continuing overcapacity in the market, which he did not expect to be withdrawn soon.

Due to unsettled market conditions, the current year is likely to be one of "consolidation," said Mr Guinness.

BTR Nylex registers seventh record year

By Chris Sherwell

BTR NYLEX, the fast-growing industrial subsidiary of BTR of the UK and Australia's second largest company by market capitalisation, yesterday announced its seventh consecutive year of record annual profits and its fifth successive scrip issue.

For the year to December it showed a better-than-expected after-tax profit of A\$521m (US\$394.9m), up 65 per cent, and a 55 per cent surge in sales revenues to A\$4.95bn.

With earnings per share rising 49 per cent to 43.5 cents, shareholders will receive a one-for-one scrip plus a final fully franked dividend of 12.5 cents, making 22.5 cents

for the year, up from 15 cents. In spite of the performance, BTR Nylex shares fell 8 cents to A\$5.86 on a generally weaker Australian stock market, where developments are currently overshadowed by the March 24 general election and continued weakness in Tokyo.

The principal factor behind BTR Nylex's latest boost was Feltex International, taken over in 1988, which contributed A\$1.48bn of sales and a pre-tax profit of A\$123m.

Overall profit before tax and interest topped A\$1bn for the first time.

The company said the results were struck in spite of high interest rates and dis-

appointing second-half results from the Taiwan plastics operations because of political unrest in mainland China and other external factors.

A breakdown of the figures shows the group's polymer division contributed a reduced profit before tax of A\$198m, down from A\$228m, on flat sales. By contrast all other divisions showed an improvement, led by the packaging division which rose to A\$90m from A\$131m.

Geographically, Australian operations continued to dominate both pre-tax profits and sales, but contributions from the group's US interests showed a sharp rise, with pre-

tax profits advancing almost six-fold to A\$141m, and sales more than four-fold to A\$932m. The group's gearing at the end of the year was 37.4 per cent (net borrowings as a percentage of shareholders' funds), but this has since been reduced to 13.4 per cent under the A\$660m capital raising exercise announced in December.

On the outlook, BTR Nylex said the current year had so far seen "generally satisfactory order levels with some weak spots," and was planning for an eighth year of growth. In spite of despite persistent speculation, it made no mention of planned acquisitions.

This notice is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (The Stock Exchange). It does not constitute an invitation to any person to subscribe for or purchase any of the Shares or Warrants.

Application has been made to the Council of The Stock Exchange for the whole of the underwritten Shares and Warrants to be admitted to the Official List. It is expected that admission in both the Shares and Warrants will be completed on 23rd March, 1990.

to be managed by

JOHN GOVETT MANAGEMENT (I.O.M.) LIMITED

Placing by

JAMES CAPEL & CO. LIMITED

of

1,500,000 Shares of US\$0.01 each

at a price of US\$10.50 per Share

payable in full on acceptance

and

300,000 Warrants, each to subscribe for one Share

at US\$10.50

in units of 5 Shares and 1 Warrant

Co-distributor W. I. CARR (EAR EAST) LIMITED

Shares Capital (following the Placing)

US\$50,000,000

in Shares of US\$0.01

US\$50,000,000

The South East Asian Warrant Fund Limited has been formed to allow institutional and other sophisticated investors to participate in the investments in derivative instruments of Asian companies. The focus will be on the warrants of companies in South East Asia. It will have the benefit of experienced management located in the region.

Listing particulars relating to the Shares and Warrants are available in the statistical services of most Financial Limited. Copies of the listing particulars may be obtained during normal business hours on any weekday, Saturdays and public holidays excepted, up to and including 16th March, 1990 from the Company. Announcement Office of The Stock Exchange, 40-50 Fenchurch Square, London EC3A 4DD (for collection only) and up to and including 23rd March, 1990 from:

The South East Asian Warrant Fund Limited

19/21 Circular Road

Douglas

Isle of Man

James Capel & Co. Limited

Corporate Finance

7 Devonshire Square

London EC2M 4EU

16th March, 1990

DFC Finance (Overseas) Limited*
Wholly owned by DFC New Zealand Limited
(Under Statutory Management)

A\$ 50,000,000 13 per cent. Guaranteed Bonds Due 1990
Japanese Yen 15,000,000,000 4-1/2 per cent. Guaranteed Bonds Due 1992
Y10,000,000,000 8-1/4 per cent. Dual Currency Yen/Australian Dollar Bonds due 1992
U.S.\$ 100,000,000 11 per cent. Guaranteed Bonds Due 1995.

DFC Overseas Investments Limited**
Wholly owned by DFC New Zealand Limited
(Under Statutory Management)

U.S.\$ 100,000,000 Guaranteed Undated Primary Capital Floating Rate Notes

All of the above issues are guaranteed by DFC New Zealand Limited (Under Statutory Management)

As Bondholders may be aware, on 3rd October, 1989, DFC New Zealand Limited and DFC Overseas Investments Limited were placed under Statutory Management by Order-in-Council made by the Governor-General of New Zealand on the advice of the Minister of Finance, in accordance with a recommendation of the Reserve Bank of New Zealand. The Statutory Managers' Report to Creditors, dated 2nd February, 1990, has now been published and is available for collection at the Paying Agents or from The Law Debenture Trust Corporation p.l.c., the Trustee of all of the above issues.

* Under Statutory Management

** A Company incorporated in the Cayman Islands and under Statutory Management under the Law of New Zealand.

HOLDING PARISIEN DE COURTAGE ALAIN GAYOUX S.A. - MAISON RAYNAUD S.A.

This holding company (owned by C.P.R. and BAFIP) and its two branches (Agents des marches Interbancaires) held their Board meeting on Wednesday 8th of March, 1990. The prolonged absence for health reasons of Mr. Jean TRUQUET, who was President of the 3 Companies, made it necessary to appoint new company representatives. The present organisation chart is therefore as follows:

- H.P.C., President and Managing Director: Alain GAYOUX.
- ALAIN GAYOUX S.A., President and Managing Director: Alain GAYOUX.
- Jean-Luc BRIONNE is confirmed as Director of the Company.
- MAISON RAYNAUD S.A., President and Managing Director: Raymond GAYOUX.
- Michel PALACIO is confirmed as Managing Director. Pascal DORIZON and Damien RAYNAUD are confirmed as Directors.

The Bear Stearns Companies Inc

(A corporation organized under the laws of the State of Delaware, USA)

U.S. \$200,000,000

Floating Rate Notes due 1994

For the three month period 13th March, 1990 to 13th June, 1990 the Notes will carry an interest rate of 8 1/4% per annum with an interest amount of U.S. \$220.42 per U.S. \$10,000 Note payable on 13th June, 1990.

Bankers Trust Company, London

Agent Bank

U.S. \$200,000,000 MARINE MIDLAND BANKS, INC.

Floating Rate Subordinated Notes Due 2000

Interest Rate 8 1/4% per annum

Interest Period 14th March 1990 - 14th June 1990

Interest Amount per U.S. \$50,000 Note due 14th June 1990 U.S. \$1,094.10

Credit Suisse First Boston Limited

Agent Bank

PNC Financial Corp U.S. \$100,000,000

Floating Rate Subordinated Notes Due 1997

In accordance with the terms and conditions of the Notes, the rate of interest for the interest period 14th March, 1990 to 14th June, 1990 has been fixed at 8 1/4% per annum. Interest payable on 14th June, 1990 will be U.S. \$218.82 per U.S. \$10,000 Note.

Agent Morgan Guaranty Trust Company of New York London Branch

Australia and New Zealand Banking Group Limited.

U.S. \$200,000,000

Subordinated Floating Rate Notes due 1998

For the six months 13th March, 1990 to 13th September, 1990 the Notes will carry an interest rate of 9.0625% per annum with an amount of interest U.S. \$4,631.94 per U.S. \$100,000 denomination, payable on 13th September, 1990.

Listed on the Luxembourg Stock Exchange.

Bankers Trust Company, London

Agent Bank

Bankers Trust New York Corporation U.S. \$300,000,000

Floating Rate Subordinated Notes due 2000

For the three months 13th March, 1990 to 13th June, 1990 the Notes will carry an interest rate of 8 1/4% per annum and interest payable on the relevant interest payment date 13th June, 1990 will be U.S. \$217.22 per U.S. \$10,000 Note and U.S. \$430.56 per U.S. \$20,000 Note.

Bankers Trust Company, London

Agent Bank

KOREA FIRST BANK

(Incorporated with limited liability in the Republic of Korea)

U.S. \$50,000,000

Floating Rate Notes due 1996

In accordance with the provisions of the Floating Rate Note, notice is hereby given as follows:

Interest Period: March 13, 1990 to September 13, 1990 (184 days)

Rate of Interest: 8 1/4% per annum

Coupon Amount: US\$ 4,504.17 per denomination (US\$100,000.00)

Agent

LTCB Asia Limited

Notice to the Holders of

Korea Exchange Bank

(Incorporated in the Republic of Korea under the Korea Exchange Bank Act of 1966 as amended)

£100,000,000

Floating Rate Notes due 1994

NOTICE IS HEREBY GIVEN that in accordance with Clause 5 (c) of the Terms and Conditions of the Notes, the Bank will, at the option of the holder of any Sterling Note, redeem said Note at its principal amount on the next Interest Payment Date 31st May, 1990.

To exercise such option the holder must deposit such Note with any Paying Agent not less than 45 days nor more than 60 days prior to the Interest Payment Date together with all Coupons appertaining thereto maturing after such Interest Payment Date.

Any Sterling Note so deposited may not be withdrawn without the prior consent of the Bank.

Paying Agents

Bankers Trust Company 1, Appold Street Broadgate London EC2A 2HE

Bankers Trust Luxembourg S.A. P.O. Box 807 14 boulevard F.D. Roosevelt L 2450 Luxembourg

Bankers Trust Company, London

INTERNATIONAL CAPITAL MARKETS

A way to go on settlement issues

Andrew Freeman on G30's approach to securities markets matters

Leading securities markets have made significant progress towards reducing trading risks in the international securities markets, but are still a long way from implementing planned improvements in their clearing and settlement systems.

This is the conclusion of a report to be presented in London today by the Group of Thirty, an international group of bankers and heads of securities houses.

The G30 was responsible for the most influential report on international settlement and clearing issues published since the stock market crash of October 1987, which revealed the dangers of the outdated systems used in many of the world's stock and bond markets.

Its meeting today, a year after its first report was published, will review the progress made by 17 securities markets around the world.

Those involved believe they are playing for high stakes. Whichever markets are the earliest to achieve quick and efficient settlement systems stand to increase their share of the lucrative cross-border trading in securities.

Last year, the G30 made nine recommendations designed to improve settlement of international equities, with the assumption that improvements would also be applicable to other instruments.

It proposed an ambitious timetable for implementation, with the key measures to be adopted by late 1992.

The individual market reports stand as strong evidence that G30, in spite of the lack of legal or formal powers, has won widespread acceptance among the international securities industry that steps must be taken to reduce systemic risk by improving settlement efficiency.

But while the overall tone of the report is positive, some of

the claims made for individual markets suggest their authors have been economical with the truth.

If the G30's recommendations are followed, the resulting convergence of practices and standards should significantly improve the liquidity and transparency of cross-border trading.

The reporting countries can be divided into a group of eight leading markets, all of which have a representative on the

Lord Richardson, chairman of the G30, notes in his introduction to the latest review that: "In a number of countries, the hard work of actual implementation, involving difficult decisions, still lies ahead."

G30 steering committee, and a further group of nine countries covering some of the world's smaller markets.

A good indication of how much is at stake for the individual markets can be gleaned from the Australian status report which remarks: "The relatively small size [of the Australian market] makes it particularly vulnerable to inefficiencies in clearing and settlement because of the resultant loss of order-flow to other markets."

In Europe, for example, the UK acquired a sense of urgency relatively recently when it realised that its dominance of international equity trading was seriously threatened by improvements beckoning on other European markets.

Full proposals for the development of the international Stock Exchange's Taurus system were presented for the first time last week in London. They included the admission that the UK will move to a rolling settlement system at a very late stage, depending on the successful implementation of Taurus.

At least two of the status

reports presented by European countries appear to take an unduly generous interpretation of both the meaning of the G30 recommendations and the extent of implementation already achieved.

In other cases, there is a tendency towards brevity at the expense of explanation. In the Swiss report, for example, the authors note simply that no action is planned for the moment on recommendation two, concerning trade affirmations.

At such an international gathering, it is inevitable that no market wants to appear to be behind the competition or slow off the mark.

Members of the G30 steering committee are under less illusions, however, an optimistic report today still has to be translated into an efficient settlement system in two or three years time.

Indeed, Lord Richardson, chairman of the G30, notes in his introduction to the latest review that: "In a number of countries, the hard work of actual implementation, involving difficult decisions, still lies ahead."

A close reading of the reports shows that each market has unique difficulties in trying to meet the G30 timetable for introducing the nine recommendations.

The present settlement systems in some of the smaller markets are many years away from the standards suggested by the G30.

Their challenge is fundamental.

in several cases, it involved re-thinking the entire settlement process.

In the bigger markets, in spite of the existence of features which satisfy one or more of the G30 recommendations, key elements of the settlement infrastructure are proving elusive.

Three of the recommendations in particular, numbers five, six and seven, emerge as causing the most intractable difficulties for the world's largest securities markets.

Recommendation five concerns so-called Delivery Versus Payment (DVP), in other words the simultaneous delivery of cash in receipt of securities or vice versa.

Recommendation six pushes the adoption of the "same day" funds convention, while seven advocates rolling settlement and sets a 1992 target of final settlement on the third day after trading.

It is no coincidence that these are the most important measures by which systemic risk can be reduced. They are also measures which cut across strong vested interests.

For example, the "same day" funds convention could cost international banks large sums through the implied loss of revenues on overnight balances.

The ultimate goal of risk reduction requires a fine balance between desirability and practicality. As the UK example makes clear, the introduction of rolling settlement is only viable if it occurs in an environment where it serves to decrease risk.

At this point the status reports are difficult to translate into an evaluation of real progress, although the countries responding to the G30 recommendations have shown admirable industry.

If there is a further colloquium in 1991, it may be clearer which countries are winning the race towards settlement efficiency.

US bank in Argentine debt swap

By Gary Mead in Buenos Aires

MANUFACTURERS Hanover, one of Argentina's largest creditors, has taken a 20 per cent share in Masuh, a leading Argentine paper and cellulose manufacturer. The deal involves the US bank offering some of its \$1.4bn Argentine debt in the form of a debt-equity swap, worth between \$25m and \$30m in cash to Masuh.

Masuh estimates it exported 80 per cent of its production, worth \$25m, in 1989. The sale of almost one third of the company to Manufacturers Hanover was described by Mr Daniel Melillo, Masuh director, as an indication of the bank's "total support for the management of the company."

He added it would not be seeking a management role in the company.

Argentine debt has been trading at between 10 and 15 per cent of its nominal value on secondary markets; in the Masuh deal the debt is to be exchanged at an average 40 per cent of face value. The US bank has announced that a total of \$200m will be invested in Masuh, of which the debt-equity swap forms a part.

Of 16 leading US banks holding Argentine debt, Manufacturers Hanover remains the most exposed. Argentina has not made any payments on its 1980s foreign debt since April 1988, and is more than \$50m behind with interest payments.

Negotiations between the Government and its commercial bank creditors have been stalled since that time. However, the Masuh arrangement is one of several private sector moves to resolve the otherwise frozen relations.

Former Drexel staff in trading joint venture

AMERICAN International Group, one of the world's leading insurance organisations, has entered an agreement to form a trading and market-making joint venture with several former employees of Drexel Burnham Lambert, the troubled investment bank, APD reports.

The venture will involve former Drexel employees Mr Gary Davis, Mr Barry Klein and Mr Robert Rubin. American International said.

The company said the venture will engage in trading and market-making in foreign exchange, foreign exchange options, oil and oil-related commodities, and gold and other precious metals.

Mr Thomas McNamee, former Drexel Burnham Lambert managing director International, said about 150 other former Drexel employees "are expected to join the new company," American International said.

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FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

ISIN	Country	Face Value	Yield	Rating	Price	Change
US 910000000	USA	100	8.75	A	100.00	0.00
US 910000000	USA	100	8.75	A	100.00	0.00
US 910000000	USA	100	8.75	A	100.00	0.00
US 910000000	USA	100	8.75	A	100.00	0.00
US 910000000	USA	100	8.75	A	100.00	0.00

Closing prices on March 13

ISIN	Country	Face Value	Yield	Rating	Price	Change
US 910000000	USA	100	8.75	A	100.00	0.00
US 910000000	USA	100	8.75	A	100.00	0.00
US 910000000	USA	100	8.75	A	100.00	0.00
US 910000000	USA	100	8.75	A	100.00	0.00
US 910000000	USA	100	8.75	A	100.00	0.00

Average price change: 0.00 on 0.00 on 0.00

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NOTICE OF REDEMPTION

US\$100,000,000 Guaranteed Redeemable Notes due April 15, 1999

Citicorp Overseas Finance Corporation N.V.

(Incorporated with limited liability in the Netherlands Antilles)

Unconditionally guaranteed by

CITICORP

NOTICE IS HEREBY GIVEN THAT Citicorp Overseas Finance Corporation N.V. has elected to redeem on April 15, 1990 (the "Redemption Date") all of its outstanding Guaranteed Redeemable Notes due April 15, 1999 (the "Notes") at a redemption price equal to the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

The Notes are to be redeemed at the main offices of Citicorp, N.A. in London, Brussels, Paris, Frankfurt am Main, Amsterdam, at the main office of Citicorp Investment Bank (Luxembourg) S.A. in Luxembourg, or at the main office of Citicorp Investment Bank (Switzerland) in Zurich.

The Notes with all interest coupons maturing subsequent to said date should be presented and surrendered at the offices set forth in the preceding paragraph on the Redemption Date.

Coupons due April 15, 1990 should be detached and presented for payment in the usual manner.

March 14, 1990

By Citicorp, N.A. Fiscal Agent

CITIBANK

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March 14, 1990

By Citicorp, N.A. Fiscal Agent

CITIBANK

NOTICE OF REDEMPTION

US\$100,000,000 Guaranteed Redeemable Notes due April 15, 1999

Citicorp Overseas Finance Corporation N.V.

(Incorporated with limited liability in the Netherlands Antilles)

Unconditionally guaranteed by

CITICORP

NOTICE IS HEREBY GIVEN THAT Citicorp Overseas Finance Corporation N.V. has elected to redeem on April 15, 1990 (the "Redemption Date") all of its outstanding Guaranteed Redeemable Notes due April 15, 1999 (the "Notes") at a redemption price equal to the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

The Notes are to be redeemed at the main offices of Citicorp, N.A. in London, Brussels, Paris, Frankfurt am Main, Amsterdam, at the main office of Citicorp Investment Bank (Luxembourg) S.A. in Luxembourg, or at the main office of Citicorp Investment Bank (Switzerland) in Zurich.

The Notes with all interest coupons maturing subsequent to said date should be presented and surrendered at the offices set forth in the preceding paragraph on the Redemption Date.

Coupons due April 15, 1990 should be detached and presented for payment in the usual manner.

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March 14, 1990

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CITIBANK

The Nikko Bank (UK) plc Appointments

The following promotions have been made by The Nikko Bank (UK) plc:

Co-Chairman & Executive Director: Mr Yokichi Imatsumi.

INTERNATIONAL CAPITAL MARKETS

Citic launches warrants issue to raise HK\$1bn

By Stephen Fidler, Euromarkets Correspondent

CHINA INTERNATIONAL Trust and Investment Corporation, Peking's foreign investment arm, yesterday resorted to financial engineering to help finance its purchase of a 20 per cent stake in Hongkong Telecommunications.

It launched an issue of 669.2m warrants, each a five-year option to buy one Hongkong Telecom share.

The warrants issue, which will raise about HK\$1bn (US\$170m), is part of a broader financing which includes HK\$5.4bn loan, led by Barclays Bank, and an A\$224m (US\$170.5m) zero coupon facility. Citic bought its stake at a cost of HK\$10bn from the UK company, Cable & Wireless, whose stake was thus reduced to 56 per cent. Citic has made up the rest of the financing through its own resources.

The warrants cover about 6 per cent of Hongkong Telecom's capital, the shares being placed in trust. The financing means that Citic will lose the financial benefit if the shares appreciate over the next five years, but it will be able to preserve its holding and voting rights because it has the option to provide warrant holders with cash instead of the actual shares.

The warrants - lead managed by Morgan Stanley and Barclays de Zotte Wadd - were priced at US\$0.1925 apiece, compared with the HK\$5.36 share price this morning.

Growth in US placements

THE VOLUME of private placements in the US grew modestly last year, according to a 3.8 per cent increase from 1988's \$164.4bn, according to data from the research firm, IDD Information Services, Boston reports.

IDD said private placements accounted for 38.5 per cent of the financing volume of both public and private markets during 1989 compared with 37.4 per cent in 1988.

Goldman Sachs captured the number one position as agent and adviser for private placements last year, accounting for \$22.6bn or a 13.4 per cent market share.

Second place went to Citicore Inc, which retained its second place slot with \$19.5bn - an 11.5 per cent market share.

Last year's growth rate was relatively sluggish compared to the double digit rates earlier in the decade. Private placement volume in 1980 was \$15.9bn.

However, the private placement market is expected to become more active with the expected passage this year of new rules from the Securities and Exchange Commission.

Shearson cuts more City staff

THE ASSET Management division of Shearson Lehman's London operations yesterday became another part of the cost-cutting which is intended to reduce the worldwide workforce by 2,000, writes Richard Waters.

A total of 16 people, including Mr Carl van Horne, chief executive, and two other senior equity asset managers, were made redundant. This constitutes a third of the division's staff. The active stock-picking part of the business was closed. Shearson has shed 55 of its 1,050 London jobs in the past week.

Shearson has also now closed its Australian office, Agencies add.

It started business in Australia in 1987, but last October shut its local interbank foreign exchange, financial futures and share-brokerage activities, reducing the number of employees from around 35 to seven.

Mr van Horne said that the decision to shut its private banking operations from Hong Kong to Singapore in April. A bank official said the decision had been taken on operational grounds as it would be more convenient to serve south-east Asia from Singapore.

The official could not say how many Hong Kong staff would be moved to Singapore. Dresner operates a restricted bank and a merchant bank on the island.

Malaysia plans to introduce reforms in the insurance industry to give greater regulatory powers to the authorities, the central bank said in a report.

The bank, which took over regulation of the insurance sector in 1988, said a review of the Insurance Act 1963 was currently in the final stages and would be submitted to parliament soon.

It said the sector, boosted by a strong economy, posted a strong growth in the last two years. The combined premium income of the life and general insurance business rose to 2.45bn ringgit (US\$907m) in 1989 after growing 11 per cent to 2.14bn ringgit in 1988.

Sears, Roebuck in \$500m receivables issue

By Norma Cohen

SEARS, Roebuck, one of the largest retailers in the US, is making its first foray into the European receivables-backed market today with a \$500m five-year issue, lead managed by Credit Suisse First Boston.

The issue will be backed by a pool of Sears credit-card receivables.

INTERNATIONAL BONDS

While some proponents of the insured structure argue that it is more efficient and less expensive than the senior subordinated structure, a rating downgrade for the provider of the insurance policy could expose investors to a certain amount of event risk.

While Sears is a household name in the US, it has a much lower profile in Europe and the company has been holding presentations for investors here to familiarise them with its operations.

Meanwhile, Sears is paying a very slight premium to tap a new market - it issued credit-card backed debt in the US yesterday at 84 basis points over Treasuries.

In France, European Investment Bank reopened the market for long-term issues by launching a FF1bn eight-year

NEW INTERNATIONAL BOND ISSUES						
Issuer	Amount	Coupon	Price	Maturity	Lead	Book runner
SEARS, ROEBUCK (US\$)	500	10 1/2	100.00	1995	1 1/2	Credit Suisse
FRANCE (FF)	100	10 1/2	100.00	1995	1 1/2	BNP
FRANCE (FF)	100	10 1/2	100.00	1995	1 1/2	BNP
FRANCE (FF)	100	10 1/2	100.00	1995	1 1/2	BNP
FRANCE (FF)	100	10 1/2	100.00	1995	1 1/2	BNP
FRANCE (FF)	100	10 1/2	100.00	1995	1 1/2	BNP
FRANCE (FF)	100	10 1/2	100.00	1995	1 1/2	BNP
FRANCE (FF)	100	10 1/2	100.00	1995	1 1/2	BNP
FRANCE (FF)	100	10 1/2	100.00	1995	1 1/2	BNP
FRANCE (FF)	100	10 1/2	100.00	1995	1 1/2	BNP

lead managed by Swiss Bank Corp. It carried a coupon of 10 1/2 per cent, the largest of which was a FF100m five-year issue for BNP Finance Co NV. The deal, lead by BNP International, carried a coupon of 11 per cent and is priced at 101 1/2 to yield 11.03 per cent if purchased at a discount equal to its full 1 1/2 per cent fee.

Also, Credit Local issued a FF100m five-year deal intended to be fungible with a FF100m issue launched in January.

The securities carry a coupon of 10 1/2 per cent and are priced at 99.05 to yield 11.01 per cent at a discount equal to full fees.

The new tranche offers a yield pick-up of about 10 basis points over the existing issue.

Strong retail figures for February weaken Treasuries

By Janet Bush in New York and Andrew Freeman in London

US Treasury bonds weakened yesterday after the release of retail sales figures for February which provided evidence of considerable robustness in consumer spending and underlined the now majority view that no monetary easing is in prospect. At mid-session, medium-term issues were as much as 1/4 point lower and the Treasury's benchmark long bond was quoted 1/4 point lower for a yield of 8.66 per cent.

US retail sales dropped 0.9 per cent in February but this was all due to weakness in auto sales. Stripping out cars, sales rose 0.5 per cent. Economists noted that nearly all categories of sales showed gains, suggesting a strong propensity among consumers to carry on spending. Coupled with last Friday's strong employment data for last month, the bond

BENCHMARK GOVERNMENT BONDS									
Country	Issue	Price	Change	Yield	Week	Month	Year	Open	Close
UK GILT	10000	99.12	-0.02	13.52	13.28	13.28			
US TREASURY	8500	99.02	-0.02	8.62	8.62	8.62			
JAPAN	10000	99.02	-0.02	8.62	8.62	8.62			
FRANCE	10000	99.02	-0.02	8.62	8.62	8.62			
GERMANY	10000	99.02	-0.02	8.62	8.62	8.62			
NETHERLANDS	10000	99.02	-0.02	8.62	8.62	8.62			
AUSTRALIA	10000	99.02	-0.02	8.62	8.62	8.62			
NEW ZEALAND	10000	99.02	-0.02	8.62	8.62	8.62			
SOUTH AFRICA	10000	99.02	-0.02	8.62	8.62	8.62			
SWITZERLAND	10000	99.02	-0.02	8.62	8.62	8.62			

GOVERNMENT BONDS

US Treasury bonds weakened yesterday after the release of retail sales figures for February which provided evidence of considerable robustness in consumer spending and underlined the now majority view that no monetary easing is in prospect. At mid-session, medium-term issues were as much as 1/4 point lower and the Treasury's benchmark long bond was quoted 1/4 point lower for a yield of 8.66 per cent.

market is now convinced that the US Federal Reserve will not ease monetary policy.

There is even concern that the Fed may start tightening although this flies in the face of the Administration's wishes. The market is watching the Fed's open market operations closely. Analysts estimate that the central bank has an adding need of around \$2.5bn a day over the next week or so. However, the Fed chose not to operate in the market yesterday.

There are various interpretations. One is that the Fed is content to see Fed funds drift a little above the current 8 1/4 per cent target.

Further weakness in the Japanese bond market was brought about by the fall of the yen against the US dollar.

Prices opened lower and eased throughout the Tokyo day, to close at their lows.

The UK government bond market had a lacklustre day's trading. Prices closed broadly unchanged, with dealing driven by technical positioning ahead of next Tuesday's budget.

West German government bond traders reported a quiet session as attention remained firmly focused on Sunday's East German elections.

The French Treasury said yesterday it would reopen its 9 per cent BTAN note issue due in January 1993, and issue between FF1bn and FF2bn. It is the first time the government has reopened an issue of BTANs.

FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS									
Index	Day's Change	Est. Yield (%)	Gross Yield (%)	Est. P/E Ratio	Est. Dividend Yield (%)	Est. Dividend Yield (%)	Est. Dividend Yield (%)	Est. Dividend Yield (%)	Est. Dividend Yield (%)
1 CAPITAL GOODS (202)	948.08	-0.1	13.54	5.11	8.99	5.19	948.08	5.11	8.99
2 Building Materials (27)	1028.98	-0.2	15.24	5.90	8.18	5.09	1028.98	5.90	8.18
3 Contracting, Construction (37)	1396.35	-0.1	17.59	5.70	7.45	6.04	1396.35	5.70	7.45
4 Electricals (10)	2421.01	-0.1	12.57	5.37	9.87	7.75	2421.01	5.37	9.87
5 Electronics (29)	1880.29	-0.7	16.07	4.99	8.98	16.17	1880.29	4.99	8.98
6 Engineering (44)	1661.21	-0.2	14.00	5.27	8.99	16.17	1661.21	5.27	8.99
7 Engineering-General (44)	1661.21	-0.2	14.00	5.27	8.99	16.17	1661.21	5.27	8.99
8 Metals and Metal Forming (6)	472.62	-0.4	24.93	6.39	4.33	0.00	472.62	6.39	4.33
9 Motors (16)	353.52	-0.1	14.68	6.24	6.05	3.10	353.52	6.24	6.05
10 Other Industrial Materials (13)	154.05	-0.7	10.98	4.64	10.61	3.12	154.05	4.64	10.61
11 CONSUMER GROUP (177)	1202.91	-0.2	9.50	3.99	13.15	3.57	1202.91	3.99	13.15
12 Brewers and Distillers (22)	1389.02	-0.1	10.63	3.79	12.28	6.57	1389.02	3.79	12.28
13 Food Manufacturing (20)	1062.99	-0.4	10.21	4.29	12.19	4.74	1062.99	4.29	12.19
14 Food Retailing (16)	2217.15	-0.1	11.33	4.42	14.22	7.09	2217.15	4.42	14.22
15 Health and Household (13)	2437.28	-0.6	6.58	2.70	18.05	2.46	2437.28	2.70	18.05
16 Leisure (31)	1425.44	-0.3	9.92	4.25	12.44	6.20	1425.44	4.25	12.44
17 Packaging & Paper (13)	557.10	-0.4	12.61	5.63	10.02	1.44	557.10	5.63	10.02
18 Publishing & Printing (16)	3227.11	-0.4	10.00	6.03	12.78	21.87	3227.11	6.03	12.78
19 Stores (33)	742.72	-0.1	11.68	5.12	11.14	1.78	742.72	5.12	11.14
20 Textiles (13)	495.25	-0.2	10.01	6.05	10.94	0.37	495.25	6.05	10.94
21 OTHER GROUPS (13)	1140.47	-0.5	10.89	4.96	11.61	4.40	1140.47	4.96	11.61
22 Agencies (17)	1358.20	-0.8	5.70	2.40	21.31	9.20	1358.20	2.40	21.31
23 Chemicals (22)	1542.72	-0.1	11.68	5.12	11.14	1.78	1542.72	5.12	11.14
24 Conglomerates (13)	1601.58	-0.3	10.16	6.12	11.99	5.64	1601.58	6.12	11.99
25 Transport (13)	2202.22	-0.1	11.06	4.36	11.51	2.88	2202.22	4.36	11.51
26 Telephone Networks (2)	1137.99	-0.3	11.16	4.51	11.65	0.00	1137.99	4.51	11.65
27 Water (10)	1957.49	-0.1	11.80	6.92	4.22	0.00	1957.49	6.92	4.22
28 Miscellaneous (26)	1848.25	-0.3	8.81	4.46	11.51	1.16	1848.25	4.46	11.51
29 INDUSTRIAL GROUP (482)	1108.60	-0.2	10.93	4.57	11.18	4.00	1108.60	4.57	11.18
30 Oil & Gas (18)	2223.18	-0.2	10.46	5.19	12.63	32.88	2223.18	5.19	12.63
31 ALL-INDUSTRY INDEX (510)	1209.39	-0.1	10.86	4.66	11.37	6.22	1209.39	4.66	11.37
32 FINANCIAL INDEX (14)	794.20	-0.3	-	-	-	9.98	794.20	-	-
33 Banks (9)	853.89	-0.4	19.70	6.43	6.64	22.40	853.89	6.43	6.64
34 Insurance (Life) (7)	1272.79	-0.5	-	-	-	0.60	1272.79	-	-
35 Insurance (Composite) (7)	1188.13	-0.7	-	-	-	4.25	1188.13	-	-
36 Insurance (Brokers) (6)	1047.25	-0.7	7.04	6.02	18.92	15.51	1047.25	6.02	18.92
37 Merchant Banks (9)	648.86	-0.6	-	-	-	0.83	648.86	-	-
38 Property (49)	1071.91	-0.7	8.47	4.04	14.94	1.56	1071.91	4.04	14.94
39 Other Financial (28)	1159.49	-0.2	13.72	3.28	9.82	2.97	1159.49	3.28	9.82
40 Investment Trusts (68)	1159.49	-0.2	13.72	3.28	9.82	6.56	1159.49	3.28	9.82
41 Overseas Traders (5)	1363.97	-0.3	9.46	7.00	12.78	30.79	1363.97	7.00	12.78
42 ALL-SHARE INDEX (687)	1106.27	-0.1	-	-	-	7.10	1106.27	-	-
FT-SE 100 SHARE INDEX	2224.51	-0.1	2224.51	2224.51	2224.51	2224.51	2224.51	2224.51	2224.51

FIXED INTEREST

AVERAGE GROSS REDEMPTION YIELDS									
Index	Day's Change	Est. Yield (%)	Gross Yield (%)	Est. P/E Ratio	Est. Dividend Yield (%)	Est. Dividend Yield (%)	Est. Dividend Yield (%)	Est. Dividend Yield (%)	Est. Dividend Yield (%)
1 Up to 5 years	112.77	-0.17	112.96	-	2.57	1.50	112.77	2.57	1.50
2 5 to 10 years	112.73	-0.26	112.98	-	2.41	1.50	112.73	2.41	1.50
3 Over 10 years	120.10	-0.24	120.39	-	4.16	8.00	120.10	4.16	8.00
4 Irredeemables	138.90	-0.25	139.24	-	1.51	9.00	138.90	1.51	9.00
5 All stocks	117.94	-0.22	118.20	-	2.73	10.00	117.94	2.73	10.00
6 Up to 5 years	139.66	-0.01	139.67	-	0.94	1.05	139.66	0.94	1.05
7 Over 5 years	132.29	-0.16	132.08	-	1.05	1.05	132.29	1.05	1.05
8 All stocks	132.73	-0.14	132.54	-	1.04	1.04	132.73	1.04	1.04
9 Deposits & Loans	96.68	-1.81	98.46	-	2.35	16.00	96.68	2.35	16.00
10 Preference	76.81	-0.03	76.84	-	1.49	12.00	76.81	1.49	12.00

Opening index 2224.1; 10 am 2224.1; 11 am 2222.1; Noon 2220.7; 1 pm 2219.6; 2 pm 2220.0; 3 pm 2218.6; 4 pm 2221.1; 4 pm 2222.7; 5 pm 2224.5. 9.40 am 7.45 am. Highs and lows record, base rates, values and constituent changes are published in Saturday issues. A list of constituent changes is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 30p.

RIGHTS OFFERS

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Index	Day's Change	Est. Yield (%)	Gross Yield (%)	Est. P/E Ratio	Est. Dividend Yield (%)	Est. Dividend Yield (%)	Est. Dividend Yield (%)	Est. Dividend Yield (%)	Est. Dividend Yield (%)
1 Up to 5 years	112.77	-0.17	112.96	-	2.57	1.50	112.77	2.57	1.50
2 5 to 10 years	112.73	-0.26	112.98	-	2.41	1.50	112.73	2.41	1.50
3 Over 10 years	120.10	-0.24	120.39	-	4.16	8.00	120.10	4.16	8.00
4 Irredeemables	138.90	-0.25	139.24	-	1.51	9.00	138.90	1.51	9.00
5 All stocks	117.94	-0.22	118.20	-	2.73	10.00	117.94	2.73	10.00


As a financial institution, it is not permitted to accept deposits from or on behalf of any person who is not a resident of the United Kingdom.

TRADITIONAL OPTIONS

Index	Day's Change	Est. Yield (%)	Gross Yield (%)	Est. P/E Ratio	Est. Dividend Yield (%)	Est. Dividend Yield (%)	Est. Dividend Yield (%)	Est. Dividend Yield (%)
1 Up to 5 years	112.77	-0.17	112.96	-	2.57	1.50	112.77	2.57
2 5 to 10 years	112.73	-0.26	112.98	-	2.41	1.50	112.73	2.41
3 Over 10 years	120.10	-0.24	120.39	-	4.16	8.00	120.10	4.16
4 Irredeemables	138.90	-0.25	139.24	-	1.51	9.00	138.90	1.51
5 All stocks	117.94	-0.22	118.20	-	-	-	117.94	-

6. Dividend cover paid or payable to stock of capital.
 7. Yield of earnings based on preliminary figures.
 8. Dividend cover based on preliminary figures.
 9. Dividend cover based on preliminary figures.
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 692. Dividend cover based on preliminary figures.
 693. Dividend cover based on preliminary figures.
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 699. Dividend cover based on preliminary figures.
 700. Dividend cover based on preliminary figures.
 701. Dividend cover based on preliminary figures.
 702. Dividend cover based on preliminary figures.
 703. Dividend cover based on

By Andrew Taylor, Construction Correspondent



Traver Humphries
Sir Clifford Chestwood: 7,100
houses completed in the UK
ness.
Commercial property pro-
fits, following the sale of the

Sales of houses by the group in the US, where Wimpey is particularly strong in California, rose by 27 per cent. There is a sizeable enclave of UK housebuilders presently in California with Barratt, Taylor, Woodrow, Costanza and others also operating in the state. All are due to report results shortly.

Sir Clifford said the group completed 7,100 homes in the UK last year – a fall of 22 per cent. This year the group expected to complete about 7,500. He warned that margins would decline as a result of sales incentive schemes including cut price mortgages.

The recommended final dividend of 8.5p (8.25p) makes a total of 10.5p (9.25p) for the year.

RANK ORGANISATION, the leisure and entertainments group, yesterday announced plans to acquire film processing capacity in Hollywood with the purchase of the Deluxe motion picture film processing laboratory from Fox, for \$150m (\$94m cash).

Rank already has film processing capacity in the UK and a 49 per cent stake in Film House Group, a leading Canadian film processing laboratory.

However, this transaction, which is still subject to the applicable waiting period under the Hart-Scott-Rodino anti-trust act, gives it facilities in Hollywood for the first time.

Rank declined to give fur-

their financial details on its acquisition, but confirmed that the deal would not lead to earnings dilution. On the basis of historical figures it "certainly does not do so".

The laboratory, substantially larger than Rank's UK operations, is based on a five-acre freehold site in north Hollywood, where it employs 400 people.

Its single largest customer is Fox itself, but it also works for Orion, MGM/United Artists, and Universal Studios.

Rank said yesterday that those relationships comprised a mixture of long-term contracts and more informal understandings.

However, the UK group

confirmed that a long-term contract with Fox would form part of the purchase contract.

Mr. James Daly, managing director of Rank's Film and Television Services division, added that he believed the problem of processing for studios which were also competitors was a major reason for the Fox sale.

The principal competitor, Technicolor, has no such conflict - and Rank itself is spared the problem.

Mr. Daly said that Rank accompanied its 1986-89 results with a £357.4m rights issue. The money raised, it said, would be used for acquisitions and other developments in the leisure market.

garnise the administration of Peabody Foods.

Elsewhere, the technology division had a good year with current order books described as satisfactory, insurance broking companies returned much-improved trading profits and the financial services division again did well.

Turnover for 1988-89 rose from a restated £94.68m to £130.78m and basic earnings worked through at 11.8p (12.4p).

A proposed same-gain final dividend of 6p makes an 11p (10.5p) total.

By Jane Fuller

A DISAPPOINTING response to last year's clothing range at Clothkits contributed to a pre-tax loss of £246,000 at Palma Group, compared with a £8.17m profit in 1988.

While turnover rose from £28,020 to £31,98m, the 1989 figure included £4m from the sale of an office development at a former Clothkits property in Faversham, Sussex. The profit from this transaction was £1.5m.

An operating profit of

By Andrew Hill

SIMON Engineering, the equipment, services and manufacturing group, is to ask shareholders for \$46.4m net, through a one-for-four rights issue, to fund further expansion.

The group, which is pushing itself as a "green" stock because of its interests in pollution control and treatment, also announced a 19 per cent increase in pre-tax profits to £38.6m in 1989. That compared with the 1988 figure of £32.4m.

Simon is offering the new shares at 285p each, against yesterday's closing price of 341p, down 14p.

The discounted rights issue should mean that borrowings — which represented about 30 per cent of shareholders' funds at the year-end — will come down to 20 or 25 per cent by the end of 1990, despite a continuing acquisition programme.

Mr Roy Roberts, the group's chairman, pointed out that

more than £75m had been spent on acquisitions over the last two years of which £10.5m was funded by the issue of shares and about £35m by the proceeds of disposals.

In 1989 about £18m was spent on acquisitions – less than in the previous year – which contributed about 13 per cent of profits before tax and interest.

Group turnover in 1989 rose nearly 13 per cent to £667m, while earnings per share increased from 32.8p to 39.4p. A final dividend of 11p is

just £10.1m (\$8.79m), although sales were up to £318m (\$88.1m). The manufacturing division - which makes Simon's access and fire-fighting platforms, as well as waste and water equipment - made £19.1m (£13.9m) on turnover of £247m (£181m) and industrial services contributed £10.4m (\$8.44m) on sales of £72.3m (\$61.6m).

Commenting on the group's share price - which was hit by the general downturn in the UK engineering sector - Mr Brian Kemp, chief executive

Editor

but not foreign.

Standard was thus well placed to win the business, specially given its strong presence in the Far East where it is widely represented.

An accountant officer from Hong Kong flew over to Colorado and made an attractive offer.

Mr QT Wilson, MiniScribe's chairman at the time, said in an interview with the American Banker: "Standard moved fast. And that no one else came close."

Standard agreed to provide a \$700m revolving line of credit and a \$200m general banking facility, both priced at half a point above the prime rate.

Standard was substantially more than the \$350m line of credit MiniScribe had previously had from Bank of America, and in light of what subsequently happened, a surprisingly large sum.

MiniScribe made full use of Standard's facilities, judging by the total \$110m exposure which the bank now has to the company.

But Miniscribe's fortunes never fully recovered. Last September it reported that it had been the victim of a fraud: documents had been forged, it alleged, and various practices such as shipping bricks instead of genuine equipment had been used to boost sales figures.

The company subsequently restated its 1986 and 1987 earnings to show much smaller profits. Then it reported a loss of \$1.6 million for the first nine months of 1989, compared to a loss of \$108.5m.

At the beginning of this year, Miniscribe sought the protection of the bankruptcy laws and there were hopes that it could be sold to new investors.

That is why Standard Chartered made no mention of the problem in its January warning that 1989 profits would be down.

But a spokesman said yesterday that the company had proved more difficult than expected, and there was no certainty about when they would be concluded.

ROBINSON Brothers (Bydres Green), the West Midlands-based maker of organic chemicals, lifted pre-tax profits by 26 per cent to £2.32m in 1989, against £1.86m previously.

The company's shares are not listed.

Turnover rose to £23.06m (£20.73m). The profit sharing provision was £67,000 (£72,000) and tax took £816,000 (£639,000). Last time there was an extraordinary £107,000 charge.

The following companies have notified since its board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications as to whether or not to increase the dividends are interim or final; that the subdivisions shown below are based mainly on last year's earnings.

TODAY

Interior-Wesco, IFWCO, Marineco Moore, Peckham.

Pittsburgh-based Mack Vickers, Allied Insurance Co., American National Bank & Trust, American Petroleum Institute, American Shipbuilding Corp., Aeropac, Chrysler Industries International, National Life Insurance Co., National Industrial Development Bank, Norfolk & County, Ford Fresh Tea, Highgate, Hiram Walker, Hamilton Brothers, Johnson-Brosnan Corporation, Westcott Travel, Lambert Horwath, North Midland Construction, American Coldwater Truck, Trade International, Procter.

FUTURE DATES

AS Electronics	Apr. 3
Amco Group	Mar. 16
Lloyd Thompson	Mar. 28
Marble	Mar. 28
Molybdenum Extract	Mar. 29
UDC	Apr. 6
Plastics	
SPD	Mar. 28
Citric Acid Foods	Mar. 27
Dynalene	Mar. 29
Exxon Oil & Gas	Mar. 29
Exxon	Mar. 27
Peterson	Mar. 30
Agnew & Crawford	Apr. 1
Hornby	Mar. 1
Mottins	Mar. 28
Assets Trust	Mar. 28
Puffy Pack International	Mar. 28
Permethrin Potentials	Mar. 29
TPS	Mar. 18
Technology Project Barus	Mar. 18
Tyrolid Holdings	Mar. 18

ROSS GROUP has acquired **GA Kirkham**, a manufacturer of timber pallets, from the receiver for £300,000. **STORMGARD** is proposing to consolidate its existing 10p shares into units of £1 via a one-for-ten consolidation.

TAVERN LEISURE: Millwall owns or has received valid acceptances in respect of 20.99m Tavern shares (31.25 per cent). The offer has been declared unconditional as to acceptances and has been extended until March 20.

	Current payment	Date of payment	Corres- ponding dividend	Total for year	Total less year
Athens	int. 3.55	Aug 1	2.6	-	8
B&W Group	int. 3.27	May 11	0.58	-	2*
Candover Inns	fin 6		3.33*	7	4.6*
Community Hosp	int. 1.04	May		-	
Delex	fin 2.9	May 19	2.95	4	3.8
General Foods S	int. 2	May 7		-	5.6
Glynned	fin 7.5	July 5	6.25	11.85	9.7
Kalon	fin 0.8	May 4	0.7	12.2	1
Lancaster	fin 0	May 22	2.7	4.5	4
Logica	fin 1.1			-	3.1
Palmco	int. 2.6	July 1	2.5	3.7	3.7
Phlox	fin 5.97		3.1	8.85	6.22
Reichen Bros	fin 9		16	11	11
State Tiltney	fin 6	Apr 30	8	11	10.5
Secure Trust	fin 6	June 1	0.58	8.5	0.59
Simon Engineer	fin 11.9	July 2	10	13.5	13.6
Soy House	fin 1.2	May 5		-	4
Wampy (George)	fin 6.5		6.25	10.5	9.25

Dividends shown penny per share net except where otherwise stated.
 *Equivalent after allowing for scrip issue. †On capital increases.
 ‡Rights and/or acquisition issues. §R&M stock. ¶Unquoted stock. ♦Third
 market. †For fifteen months. ♥Scrip alternative. ♦Maiden interim.

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Subject to the approval of the Members at the Extraordinary General Meeting to be held on this March, 1980, the following is the authorized and issued share capital.

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and during normal business hours for two days from the date hereof from The Company Accountants Office, The Stock Exchange, 40 Fenchurch Square, London EC3A 1DD.

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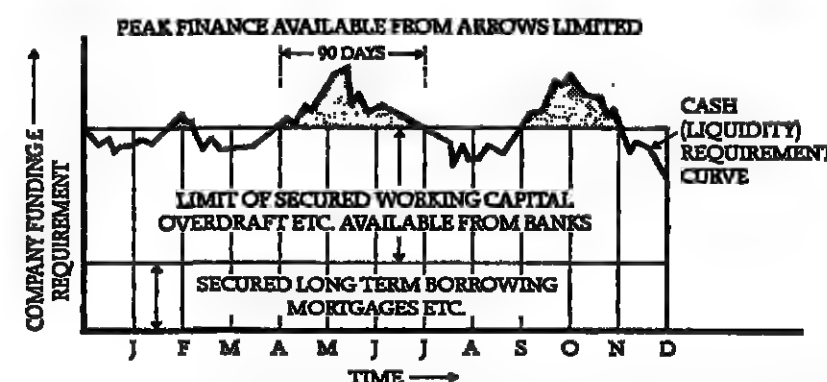
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UK COMPANY NEWS

Developing the group on its strengths

Ian Hamilton Fazey reports on the restructuring of Simon Engineering

WHEN Mr Philip Ling's Valuedale group attempted a management buy-in at Simon Engineering in 1986, the old-established Stockport-based company escaped - but only because a full takeover, which would have been more tempting to institutional shareholders, had not been launched.

According to Mr Keith Ashworth-Lord, head of research at Henry Cooke, the Manchester stockbroker, Simon at the time was "a complete ragbag" of businesses. "It was in six divisions, with no cross-fertilisation between them, little synergy and no central focus," he says.

"It had a tired management that was resistant to change. Had they been on the receiving end of a proper bid, they would have gone under the hammer. Fortunately for Simon, no-one took Valuedale seriously enough."

"But the event concentrated minds and, to their credit, the management realised they were in trouble. They embarked upon an orderly transition at the top. We are seeing the fruits of that now," Mr Ashworth-Lord adds.

Yesterday Simon posted 1989 profits before tax of £28.6m and earnings per share of 38.4p. So has Simon sorted itself out in the past few years?

The beginnings of a recovery were clear in 1988, when profits rose to £22.4m and earnings per share to 32.8p. This followed a slump to £23.5m and 24.4p in 1987 as Simon came to terms with its close shave and started reorganising.

That was the year that Mr Roy Roberts of Dowty, and president of the institution of Mechanical Engineers, took over as non-executive chairman from Mr Harry Harrison, whose influence, according to Mr Ashworth-Lord, had long been "patriarchal".

Another newcomer was Mr Brian Kemp, who moved from Parkfield to run Simon's manufacturing division. He soon

became deputy to Mr Tim Leader, who had been chief executive since 1985 and was starting the restructuring process.

Mr Kemp, a 46-year-old mechanical engineer with a first from Loughborough University of Technology and a masters in business administration from Stanford - where he was in the top 5 per cent of his class - is now in charge.

The real measure of change, however, is to be found in the top tier of 80 senior managers, 30 of whom have joined since Mr Kemp. Most were headhunted with engineering qualifications a prime requirement.

Another such wholesale recruitment drive is not anticipated. The group is building on a long tradition for good training by offering management development programmes which carry exemptions towards a Sheffield University MBA. It intends to grow its team from within, grafting general management skills onto engineers.

"Very many of our senior managers are engineers," Mr Kemp says. "It is slightly unusual for a UK company but is very much the norm in Germany or Japan."

The group they are running bears little resemblance to the Simon of four years ago. Then, Simon was a broad mixture of mature engineering businesses, some in expanding markets, but all sitting uneasily with companies trading in oil and chemicals.

The strategy has been to dump any business not capable of growing in worldwide markets or which the group was not running particularly well. Thus Simon has pulled out of food engineering, where it made poor profits, if at all, and also general mechanical and electrical contracting.

The number of staff is down from 10,000 to 7,500, of whom nearly half are abroad, mainly in the US or Canada. Simon is concentrating instead on its strengths, such as large-scale,



Brian Kemp: we are not that dependent on the UK

bespoke construction of chemical plant and electronics factories. It is building one of the latter for the Soviet Government in Yerevan and expects to do well long term out of the restructuring of the Soviet economy.

It also spotted a lucrative specialist niche in access platforms, such as those used to lift workers high enough to repair street lights, or carry TV cameramen to giddy heights above golf courses, or put firefighters 60 metres above the ground to douse fires.

Here expansion has been rapid, with acquisitions in the UK, US, Australia and Ireland to turn the company into the leading international supplier in the field. Simon's sales in

this sector in 1989 were £14m. Last year they were £163m.

Paper engineering is another developing core. Simon had a long association as suppliers of equipment and its electronics engineers have won a good reputation for automating many processes. But the big leap forward has been the acquisition of Holder Parnas at Bury.

Mr Kemp says: "They are extremely competent paper engineers but their capability was limited by their being a private company. They could see the need to join a bigger group giving them access to funds, the rest of the world, and experienced project management."

The growth of concern about the environment is generally

seen as a great opportunity. Solving environmental problems requires an eclectic approach to plant design and operation, pulling expertise from many different technologies and specialties, from mechanical, structural and chemical engineering to state-of-the-art telemetering and electronics for automated systems.

Simon's engineering base covers the whole portfolio. The idea is to use the developing group management style to pull out skills where needed and channel them into the developing markets.

Since the old management did the business the ultimate service by bowing out gracefully and ensuring an orderly transition, Mr Kemp is reluctant to criticise, but he recognises there is a lesson to pass on to others.

He also recognises the need to demonstrate improvements that will keep shareholders like M&G, Prudential Assurance and Norwich Union taking a long view - in 1986, when the fight was on against Valuedale, a tour of the City showed that 26 out of 27 institutional shareholders had never met anyone from the company.

He says: "The earlier management appreciated opportunities but did not put in the infrastructure to exploit them. Simon was operated as a flat organisation, with considerable autonomy for companies in the field. This was healthy in one sense but there was an absence of direction."

"To focus policy, the main board is down to eight, and all businesses in the group have to work to rolling three-year plans. It works because each plan is scrutinised by a supervisory board a couple of times a year to make sure it is still realistic and attainable."

Mr Ashworth-Lord says: "This was a sleepy company which has woken up. I can see a good two years of growth ahead."

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Annual General Meeting

Notice is hereby given that the Annual General Meeting of the shareholders of the Bank will be held on Level 18, 1 Queen's Road Central, Hong Kong, at 3.00 pm on Tuesday 8 May 1990 to transact the following ordinary business:

- 1 to receive and consider the Profit and Loss Account, the Balance Sheet and the Reports of the Directors and of the Auditors for the year ended 31 December 1989 and to declare a final dividend;
- 2 to elect Directors;
- 3 to appoint Auditors and authorise the Directors to fix their remuneration

and by way of special business to consider and (if thought fit) pass the following Ordinary Resolutions:

- 4 that:
 - (a) it is desirable to capitalise the sum of HK\$1,454,032,043 from the Reserves of the Bank and that accordingly the said sum be capitalised and applied in payment in full for 581,612,817 unissued shares of the Bank of HK\$2.50 each;
 - (b) such new shares, credited as fully paid, be distributed among the shareholders who on 2 May 1990 were registered shareholders of the Bank in the proportion of one new share for every ten shares then held by them respectively;
 - (c) such new shares shall in all respects rank *pari passu* with the existing shares of the Bank except that they shall not rank for dividends for the year ended 31 December 1989; and
 - (d) the Board be and is hereby authorised to allot and issue such new shares for distribution in the manner and proportion aforesaid but so that shares representing fractions shall be sold and the net proceeds retained for the benefit of the Bank; and
- 5 that a general mandate be and is hereby unconditionally given to the Directors to exercise full powers of the Bank to issue, allot and dispose of shares of the Bank (including making and granting offers, agreements and options which would or which might require shares to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter) provided that, otherwise than pursuant to (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong) or (ii) any scrip dividend scheme or similar arrangements implemented in accordance with the Regulations of the Bank, the additional shares issued, allotted or disposed of (including shares agreed conditionally or unconditionally to be issued, allotted or disposed of, whether pursuant to an option or otherwise) shall not in aggregate exceed five per cent of the issued share capital of the Bank as enlarged by the issue of shares pursuant to the capitalisation issue referred to in Resolution 4 above.

By Order of the Board
R.G. Barber Secretary

Hong Kong, 13 March 1990

- Notes -
- (1) Any shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a shareholder of the Bank.
 - (2) In the case of joint registered holders of any share, that one of the joint holders present at the meeting in person or by proxy whose name stands first on the shareholders register in respect of such share shall alone be entitled to vote in respect thereof.
 - (3) In order to be valid, the instrument appointing a proxy and the power of attorney (if any) under which it is signed must be deposited at the head office of the Bank, at 1 Queen's Road Central, Hong Kong, not less than forty-eight hours before the time for holding the meeting (or any adjourned meeting or poll).
 - (4) The Register of Shareholders will be closed from 17 April until 2 May 1990 (both dates inclusive). In order to qualify for the final dividend and for the capitalisation issue, all transfers (accompanied by the relevant share certificates) must be lodged with the Registrars not later than 4.00 pm on 12 April 1990.
 - (5) None of the Directors has a service contract with the Bank which is not determinable within one year without payment of compensation.

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UK COMPANY NEWS

UK downturn fails to halt BM

By Jane Fuller

BM GROUP, the maker and distributor of construction and other industrial equipment, has continued its growth with a 37 per cent advance in pre-tax profit to £24.3m for the six months to December 31.

In spite of a trebling of net interest payments to £1.37m (£421,000), pre-tax profit growth easily outstripped the pace of increase in turnover, which reached £96.39m (£81.08m).

Mr Roger Shute, chairman, put the improved margins down to tight financial control and higher sales volumes benefiting unit prices.

In construction equipment, which will provide about

£140m of this year's expected £240m turnover, he said a breakthrough had been made with the acquisition in Australia last March of Anstett, a maker of sugar cane cutting equipment and skid steer loaders, which brought with it a 200-strong Mustang dealer network in the US, plus 50 outlets elsewhere.

Machines, such as dumpers and concrete mixers, were sold under either the Mustang or Benford badge.

BM already has a link with Japan as the UK importer of Hitachi excavators. This year Benford dumpers are being sold into Japan through an agreement with Mitsubishi.

In Continental Europe,

where the group has a French subsidiary, a new distributor in Spain was performing well, said Mr Shute.

Last year only 13 per cent of the overall business lay overseas, this year he said it was heading for 30 per cent and the 1991 target was 50 per cent.

In the UK, sales of equipment to house builders had slowed, but that was only a small part of BM's operations. Without house building, the sector's growth was expected to be 8 to 10 per cent over the next 12 months.

BM's other two divisions, building products and technology, make a roughly equal contribution to sales. Tech-

nology, which ranges from scaffolding to paper-converting machines, showed a 45 per cent profit increase.

Mr Shute said the group's gearing would be 10 per cent by June without further acquisitions. Nothing major was planned at the moment.

The latest purchase - Kass in November - is expected to contribute about £1m profit this year.

Diluted earnings per share were 8.5p (8.5p) and the interim dividend goes up to 1.2p (0.8p).

For the full year, pre-tax profit is expected to be £23.5m, giving a prospective multiple of 10.1.

US paints a gloomy picture for Logica

By Alan Cane

THE LURE of the oil paint has finally proved too great for Mr Philip Hughes, chairman and co-founder of Logica, one of the UK's leading computing services companies.

He announced yesterday that he intends to step down after the company's annual meeting in November this year to pursue a second, full-time, career as a painter.

Logica's interim results, reported yesterday, did not make the happiest backdrop for Mr Hughes' farewell announcement.

While the company seems to have performed well in the UK and Europe generally, the downturn in the US computer industry resulted in revenues there falling 4 per cent and a small loss.

Pre-tax profits for the six months to end-December, were £6.02m, a fall of 18 per cent from the £7.44m recorded in the corresponding period of 1988.

Consolidated turnover rose 16 per cent to £87.4m. The figures excluded £3.94m (£3.42m) derived from Logica's partly-owned Italian operations.

Earnings per share dipped 22 per cent to 6.3p and the interim dividend is raised 10 per cent to 1.1p.

However, Logica remains interesting as one of the last independent computing services companies of any size and therefore a desirable target in the process of consolidation that is expected to result in the survival of only a handful of large, integrated companies by the mid-1990s.



Philip Hughes results did not make the happiest backdrop

David Humphries

Mr Hughes will be replaced as chairman by Mr Paul Bosworth, deputy chairman of the BOC group and a non-executive director of British Telecom, who has been on Logica's board since 1985.

Since the formation of Logica in the 1960s, Mr Hughes has painted as a highly profitable diversion, but now he feels he wants to build his reputation internationally. A regular exhibitor in London galleries, he wants to see his work shown in Paris and Sydney.

He implied yesterday that exchanging images on computer video screens for images on canvas would not prove too

great a wrench. "I've worked in the same industry and in the same streets for 30 years. I'm approaching 55 and now is the time to change if I'm not to leave it too late for a second career."

Logica, nevertheless, will not seem the same without Mr Hughes whose personality is stamped all over the company from its distinctive black and yellow logo to its annual reports.

Logica said the chief cause of the decline in profitability was tough conditions in the US market where two major contracts, one with the New York Life Insurance Company, the

other the San Francisco Bay Area Rapid Transport (BART) system were coming to an end.

The work on BART closed early amid some acrimony. Another US project, which Logica refused to identify, also contributed to the US losses.

The company said that steps had been taken to improve the cost base in the US. It expects to make a profit in the US in the second half of the year and across the year as a whole.

Elsewhere the company grew about 22 per cent in line with industry growth and performed particularly well in the Netherlands.

Candover surges 40% to £2.98m

NONE OF the gloom which has descended on the management buy-out sector in recent months was evident at yesterday's announcement of sharply higher results from Candover Investments, Britain's sole publicly-quoted investment trust specialising in buy-outs, writes Charles Batchelor.

The company not only avoided making any significant investments in the highly-leveraged retail sector buy-outs

which have had to be refinanced, but expects an increase in buy-out opportunities from the economic downturn. Companies which are facing cash-flow pressures as a result of higher interest rates will be better than ever to dispose of non-core activities, said Mr Roger Brooks, chief executive.

Pre-tax profits rose 40 per cent to £2.98m in the year ended December 31 while fully-diluted earnings per share

rose from 6.57p to 8.79p. Net assets increased by 43 per cent from £34.68m to £49.68m comprising about £11m in cash, £7m worth of listed investments and £32m of unlisted investments. Net assets per share rose 41 per cent from an adjusted 1989 to 294p.

A final dividend of 5p makes a 7p (4.5p) total. The company's shares closed 20p higher at 288p.

Acquisitive Plaxton soars to £8.7m

Plaxton reported record results for 1989, a year in which it made a number of acquisitions including Henlys, the motor dealer chain, which more than doubled the size of the group. Mr David Matthews, chairman, said there was still a long way to go to fulfil the company's potential.

Pre-tax profits were £8.72m, almost double the £4.75m of the previous 15 months. Turnover was £263.55m (£244.13m).

During the year the company acquired Dupre Services for £6m and Arlington Coach as well as paying £47.8m for Henlys.

The major profit contribution came from the manufacture and distribution of coaches and buses with 20.5m (£2.22m) on turnover of £118m (£94.10m).

Including the Henlys acquisition the motor division reported turnover of £268.85m (£190.44m) for profits of £3.18m (£1.87m). It benefited from the company's potential. Pre-tax profits were £8.72m, almost double the £4.75m of the previous 15 months. Turnover was £263.55m (£244.13m).

Net interest paid was higher at £4.32m (£2.3m) but gearing at the year end had been reduced from 44 per cent to 37.4 per cent.

Earnings rose to 28.1p (14.7p) and a final dividend of 5.5p makes a total of 8.6p (8.2p for 15 months).

NOTICE TO HOLDERS OF ADVANTEST CORPORATION

(Formerly Talanta Resources Ltd.)
U.S. \$40,000,000
3% per cent

Conversion Date: 2000

Pursuant to Clause 9(b) of the Trust Deed dated 18th October, 1984, under which the above Bonds were issued, notice is hereby given as follows:

1. On 28th February 1990, the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record at the close of business on 21st March 1990, Japan Time, at the rate of 0.05 new share for each share held.

2. Accordingly, the Conversion Price of the Bonds will be adjusted effective as of 1st April, 1990. The Conversion Price in effect prior to such adjustment is Yen 1,280.40 per share of Common Stock. The adjusted Conversion Price will be Yen 6,942.50 per share of Common Stock.

ADVANTEST CORPORATION
(Formerly Talanta Resources Ltd.)
Company, Ltd.)
As The Bank of Tokyo Trust Company
as Trustee

Dated: 14th March, 1990

Hongkong Bank



The Hongkong and Shanghai Banking Corporation Limited

Incorporated in Hong Kong with limited liability

Results for 1989

The Directors announce that the profit for the year ended 31 December 1989 attributable to the shareholders of the Bank was HK\$4,774 million (1988: HK\$4,300 million), an increase of 11.0 per cent. The profit was arrived at after providing for taxation and after making transfers to inner reserves.

World economic growth advanced at a slower pace in 1989. The slow down became more evident during the second half. Rising inflationary pressures in the developed countries and reduced import demand, notably in the United States, fed through into lower growth rates in most of the Asian economies.

The Group's major banking operations in Asia reported continued profit growth. In Hong Kong, despite a marked slow down in the economy, loan demand remained buoyant and the performance of the banking sector was encouraging. Elsewhere however results were mixed, and in some areas disappointing. In Australia, where the corporate sector has been adversely affected by a downturn in the economy and sustained high interest rates, Hongkong Bank of Australia reported a significant loss. And in the United States, although Marine Midland reported a profit, it was well below expectations. Both these subsidiaries, and the Bank's own commercial banking operations in the United States and the United Kingdom, have deemed it prudent to make conservative provisions against specific parts of their loan portfolios. These provisions have of course affected the reported result.

This picture was relieved by improved performance elsewhere. The British Bank of the Middle East, helped by a strong recovery by the Saudi British Bank, reported the best results in its history in its centenary year. Hongkong Bank of Canada reported another excellent result.

The performance of the Group's capital markets businesses also improved in 1989. The Wardenly Group again had a successful year and reported a further increase in profit. The James Capel Group recovered strongly from the previous year's loss to make a modest profit in 1989, and CM & M reported a significantly reduced loss.

We continue to develop our relationship with the Midland Group and to discuss the form and nature of a closer business association between the two Groups. These are preliminary discussions and a further statement will follow if appropriate.

In November an independent professional valuation of properties held by the Bank and its wholly owned subsidiaries was carried out. Hang Seng Bank, the Bank's 61.48 per cent owned subsidiary, carried out a similar valuation in 1989. The surplus of HK\$13,786 million resulting from these valuations has been credited to published reserves. These moves, which bring into the open a part of the Group's hidden reserves, have led to a further strengthening of the Group's capital base.

The Directors propose the payment of a final dividend of 28 cents per share on 8 May 1990 to shareholders whose names are on the Register of Shareholders on 2 May 1990. Together with the interim distribution of HK\$812 million already paid the total distribution for 1989 will amount to HK\$2,440 million (1988: HK\$2,094 million), an increase of 16.5 per cent, the total dividend per share for 1989 will be 42 cents (1988: 36.36 cents adjusted), an increase of 15.5 per cent. The dividend will be payable in cash, with a scrip alternative, in accordance with and subject to the Regulations of the Bank.

Consolidated profit and loss account for the year ended 31 December 1989 - audited

1988	1989	1989	1989
HK\$m	HK\$m	£m	US\$m
4,908	5,457	402	647
49	423	34	54
4,957	5,480	436	701
(657)	(706)	(56)	(90)
4,300	4,774	380	611
(2,094)	(2,440)	(194)	(312)
2,206	2,334	186	299

HK cents	Earnings per share	HK cents	GB pence	US cents
74.88		82.44	6.56	10.56
(adjusted)				
11.82	Dividends per share	14.00	1.11	1.79
(adjusted)	Interim (pence)			
24.54	Final (proposed)	28.00	2.23	3.59
(adjusted)				
36.36	Total	42.00	3.34	5.38

Consolidated balance sheet at 31 December 1989 - audited

1988	1989	1989	1989
HK\$m	HK\$m	£m	US\$m
233,961	264,846	21,023	33,809
70,526	79,967	6,367	10,239
35,361	35,966	2,864	4,605
26,674	31,284	2,484	3,995
37,969	49,093	3,909	6,286
456,642	538,147	42,845	68,906
861,133	998,423	79,492	127,840
1,946	2,141	170	274
20,632	37,210	2,963	4,764
883,711	1,037,774	82,625	132,878
26,734	31,264	2,489	4,003
795,035	925,820	73,711	118,543
1,415	1,628	130	209
823,784	958,712	76,330	122,755
20,757	20,690	1,647	2,649
3,240	5,703	454	730
13,102	14,540	1,158	1,862
22,828	38,129	3,036	4,882
35,930	52,669	4,194	6,744
59,927	79,062	6,295	10,123
883,711	1,037,774	82,625	132,878

Capitalisation Issue

The Directors also intend to recommend to shareholders at the Annual General Meeting to be held on 8 May 1990 that a capitalisation issue of shares be made in the proportion of one new share for every ten shares held on 2 May by the capitalisation of HK\$1,454,032,043 from the Reserves of the Bank. The capitalisation shares will not rank for the final dividend but will rank *pari passu* with existing shares in all other respects.

Closing of Register of Shareholders

The Register of Shareholders of the Bank will be closed from 17 April until 2 May 1990 (both dates inclusive) for the purpose of determining the identity of shareholders entitled to the capitalisation issue and the final dividend. No transfers of shares may be registered during that period.

Outlook for 1990

The outlook for 1990 is uncertain, with continued fluctuation in exchange rates. In the world economy there are signs that sustained economic expansion is causing some strain, with the level of inflation becoming uncomfortably high. Real growth in the developed countries is expected to be more modest than in 1989.

Most Asian economies are likely to experience slower growth in 1990. In Hong Kong, where confidence is slowly recovering from the shocks of last year, the labour shortage and brain drain remain a problem. A period of slow growth with continued domestic inflation is expected.

There are nevertheless grounds for cautious optimism. Present indications are that operating results should remain strong and the Directors expect that the level of profits in 1990 will be sufficient to enable the Bank to pay at least the same quantum of dividend as for 1989, that is 38.18 cents per share on the capital as increased by the proposed capitalisation issue.

Directors' Interests

At 31 December 1989 Directors and their associates had the following beneficial interests in the shares of the Bank.

J R H Bond	55,672	Mr Kit McMahon	5,623
J A Brooks	4,089	C W Newton	6,893
D E Connolly	546,496	W Purves	97,444
F R Frame	73,379	N M S Rich	13,200
R R Frederick	30,976	H Sohmen	1,519,603
J M Gray	49,741	J E Strickland	66,681
D G Jaques	64,024	J J Swaine	811
N R Knox	27,501	J C C Tang	36,300
H C Lee	56,343	G A Thompson	95,100
K S Li	1,853,187	P J Wingham	127,611

H C Lee also had a beneficial interest in 11,250 ordinary shares of Hang Seng Bank Limited.

As Directors of Marine Midland Bank, N.A., J R H Bond, F R Frame, R R Frederick, N R Knox, W Purves and G A Thompson each had a beneficial interest in 10 shares of common stock of that Company. As Directors of HKBG Holdings Limited, B H Asher, J R H Bond, J M Gray and D G Jaques each had a non-beneficial interest in one B share of that Company.

By Order of the Board
R G Barber, Secretary

Hong Kong, 13 March 1990

FINANCIAL DIRECTOR SEEKS GENIUS

Financial Director of a multi-national company seeks assistant. The successful applicant must have a proven track record with over 10 years experience in Europe. Furthermore the candidate must be multi-lingual and familiar with all international financial legislation, business practices and cultures. Duties include all day to day running of business systems on a 365 day per year basis. No sick leave or holidays provided and position must be taken up, at any office, within a month. Forward thinking attitude required.

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UK COMPANY NEWS

Strong US performance helps Attwoods to £11.4m

By Vanessa Houlder

ATTWOODS, the waste disposal company, yesterday announced a 34 per cent increase from £8.51m to £11.43m in pre-tax profits for the six months to January 31. Turnover moved ahead by 69 per cent to £106.12m.

The results reflected a strong first half in the US and a better-than-expected performance in West Germany, tempered by a downturn in the UK.

Profits of Drinkwater Sabey, the UK subsidiary, fell from £1.4m to £560,000 due to the pressures on the construction industry which affected quarry product sales and the quantity of waste generated from the building industry.

The recent Taskmasters and Sands & Gravels acquisitions and the Albury landfill should compensate for the recession in the building sector, although full year UK profits

would not equal those of last year, directors said.

Attwoods has won six rubbish collection contracts from local authorities in the UK. Although margins were thin, the company hoped to take a large share of the business in the long term, said Mr Ken Foreman, chairman.

In the US, all solid waste operations, particularly those of Eastern Waste Industries had a strong six months. The integration of Laidlaw's Florida waste business was successful, he said.

With the recent award of a \$38m recycling contract in Miami, which requires it to collect, sort and sell glass, metals and plastics, it will be providing recycling services to 500,000 residences by the end of the financial year. Mindie, a metal recycling business, acquired last November, is expected to be integrated.

Mr Foreman said that Attwoods was talking to local authorities in the UK about recycling ventures.

Medix, the medical waste company continued to perform well and was now handling and incinerating medical waste in nine states.

Dixi Sanitarysystem, the West German subsidiary which operates portable lavatories, benefited from the opening of the East German border and the influx of people from the East. It made a profit in the normally loss-making winter months.

Mr Foreman said that once the currency issue was settled, Attwoods planned to extend its operations into East Germany.

Earnings per share rose 25 per cent to 10.71p. An interim dividend of 3.25p (2.5p) is declared, a rise of 30 per cent.

Torday for main market via £7.5m placing

By Clara Pearson

TORDAY & Carlisle, a specialist engineering group, is joining the main market via a £7.5m placing which values the whole company at £34.7m.

The move ends an 11-year sojourn on Granville's Independent Companies Exchange for Torday. Before the stock market placing some 20 institutions accounted for about 70 per cent of the shares.

Granville is sponsor to the placing. About 95 per cent of the 15.93m shares being sold represent new money. The two share vendors are the uncle and father of Mr Paul Torday, chairman.

At the placing price of 150p, the historic p/e is 8.45. The national gross dividend yield is 5.38 per cent.

Pre-tax profits in the year to end-December were £3.37m (£1.63m) on sales of £46.76m (£24.63m).

There are three legs to the business: DMI, primarily involved in reconditioning diesel marine engines; Hifab Hughes, a manufacturer of pressure relief devices such as are found in soda streams which is the smallest part of the group; and Oldham Signs, a manufacturer and maintainer of commercial signs.

Mr Torday said yesterday that with the September 1989 addition of Oldham, which last year contributed operating profits of £2.37m, the company had felt ready to graduate to the stock market.

He said after the listing Torday intended to expand Oldham's business in Europe.

Opportunities opened up for DMI as a consequence of the ageing of the world's dry bulk shipping fleet would also be pursued.

Securing a stronghold in Europe

John Burton on Avena's hostile bid approach to Walter Runciman

MR HANS Eliasson, the 43-year-old president of Avena, the Swedish holding company, admits he knew almost nothing about the security equipment business when he bought Rosengrens, a Swedish safe manufacturer, three years ago.

Now Avena will be on its way to becoming Europe's biggest maker of heavy security equipment if its £47.5m hostile cash bid for Walter Runciman, the security equipment, shipping and insurance company, succeeds.

Although a building engineer by training, Mr Eliasson's recent interest in restructuring the European security equipment sector is part of his strategy of diversifying Gothenburg-based Avena away from its core business area of construction and property development, which are vulnerable to cyclical disruptions.

Mr Eliasson, who has had long experience as a Swedish property developer, laid the foundations for Avena when he bought Kullenberg, the Swedish construction company, in 1987. The two were merged in 1989 to form Avena, in which Mr Eliasson has 78.6 per cent voting control.

The acquisition of Runciman, with its Tann International security division, would boost Rosengrens' security equipment sales by more than 50 per cent to SKr500m in 1989 from SKr300m in 1988. Mr Eliasson estimates Rosengrens has already doubled its turnover in the last two years, acquiring five other heavy security equipment companies, which produce safes, bank lockers and fire lockers.

The Rosengrens subsidiary is expected to report later this month a pre-tax profit of SKr10m (SKr5.5m) for 1989. It is aiming for a profit target of SKr25m in 1990.

"The security equipment

business is considered a dull and mature industry with a stable market," says Mr Eliasson, "but I believe that others have ignored the possibilities of revitalising it through economies of scale and production rationalisation. People haven't paid sufficient attention to production, design or marketing."

Mr Eliasson's attention was drawn to Walter Runciman after Telfos Holdings unsuccessfully launched a £31m bid for the company in 1988. He says he held discussions in the course of the past year with Lord Runciman, the chairman, about buying Tann International which accounts for about half of Runciman's sales, or merging Runciman with Avena in which the Swedes would have majority control.

But these proposals foundered on disagreements over price and voting control, according to Mr Eliasson. He then bought out Telfos Holdings' 28.5 per cent stake in Runciman for £11.5m last December. His hostile bid was triggered last month when he acquired a further 4.4 per cent interest from the National Rivers Authority. As it has been clear to the London market why Avena should want Runciman's security equipment business, but not at all clear why it should be interested in the other arm of Runciman - the liquid gas shipping operations - many have assumed that Mr Eliasson is intending to sell off the shipping side.

This has been fuelled by speculation about what level Avena's indebtedness would reach after it had paid out the cash to buy Runciman. The company's latest set of accounts are not yet available.

However, Mr Eliasson said when the takeover offer was announced last month that he was not considering such a disposal. Seemingly mindful that this point had not been made firmly enough in its offer document, Avena announced last Friday to the London Stock Exchange that it intended to retain all the businesses "substantially in their present form".



Hans Eliasson: may have been good for shareholders but not for the company

ment, Avena announced last Friday to the London Stock Exchange that it intended to retain all the businesses "substantially in their present form".

"I confess I know about as much about shipping as I know about the outlook for shipping business when I bought Rosengrens, which was very little," Mr Eliasson says.

Runciman's six gas tankers "occupy a secure market niche and their management is handled by the Unigas consortium, which means we can concentrate on operating the carrier themselves. The ship would provide us with a base for developing this sector."

Shipping would further reduce Avena's dependence on construction and property operations under its Kullenberg subsidiary.

Mr Eliasson carried out an earlier diversification strategy within Kullenberg, expanding its activity from construction in Sweden to domestic and foreign commercial property development, construction equipment leasing and prop-

erty financing. He also has a 35 per cent stake in VIAK, the Swedish engineering consulting firm.

He argues that, in a similar fashion, Runciman would become a more balanced company as a result of a takeover by Avena. Runciman would be "less dependent on the cyclical business of shipping as a result of the synergies offered by merging Tann and Rosengrens".

Otherwise, Runciman's profits could soon peak because "the outlook for shipping is uncertain. As a result we don't believe the share price will continue to rise, maintains Mr Eliasson."

"As it is, the share price has risen partially due to takeover speculation and the divestment of businesses. But they now have squeezed the lemon dry. It may have been good for the shareholders, but not for the company."

What has surprised Mr Eliasson is that resistance to his bid from the Runciman family is tougher than he expected. While describing his past contacts with Runciman as "friendly", the company's decision - in the midst of the Avena takeover bid - to develop a new Tann factory in co-operation with Laing Properties has left Mr Eliasson "very surprised and sad".

"I don't understand why Runciman did not consult us before announcing this decision, since we are the single largest shareholder in the company and have considerable experience in property development, including owning a London office. I do not regard this as friendly or polite."

"What is strange to me is that this is considered a hostile bid since British law states that breaching the 30 per cent barrier automatically places you in a hostile position. Such is not the case in Sweden," he adds.

Reorganisation lifts Kalon 22%

By John Thornhill

KALON GROUP, which claims to be the UK's largest independent paint manufacturer, increased pre-tax profits by 22 per cent to £4.52m in 1989 due to improvements in operating margins following a substantial reorganisation of its businesses in the previous year.

The advance was scored on a reduced turnover of £280.18m (£286.08m) although when previous contributions from disposals were stripped out then sales increased by 1 per cent from a restated £79.5m.

Mr Leslie Silver, chairman of the Yorkshire-based company, said the results for 1989 cancelled and understated the real improvements in the group's performance and that operating

margins on a comparable basis had increased from 6.2 per cent to 7.5 per cent.

Kalon's decorative division lifted profits during the year and in December 1989 it opened a new decorating sundries operation in Morley.

However, the industrial coatings division reported difficult market conditions and the chemicals division again recorded a "disappointing" result.

Gearing was substantially reduced during the year from 38 per cent to 19 per cent, but Mr Silver said that he did not think that difficult short term market conditions should restrict the company's investment in new projects.

Mr Silver added that in spite of the effects of high interest rates the company was confident of reporting a satisfactory result for the current year.

The proposed final dividend of 0.8p makes a total of 1.2p (1p). Earnings per share grew by 28 per cent to 2.71p (2.11p).

Correction

Lawtex

Lawtex, the Oldham-based umbrella, leisurewear and babywear maker, paid a 0.5p share interim dividend. This was incorrectly reported in the Financial Times of March 8.

Hanson buys in £24.25m of its 10% bonds

By Nikki Teit

Hanson, the UK-based conglomerate, announced yesterday that it has bought in £24.25m nominal of its £150m issue of 10 per cent unsecured bonds, due in 2006.

The bonds will be cancelled. Hanson said that it will continue to make market purchases of these bonds "as and when it considers it to be in its interests to do so."

It has no present intention, however, of making any formal proposal to bond holders.

At the end of February, Hanson's capital structure was tidied up considerably when the bulk of its huge convertible loan stock issue was converted into ordinary shares.

Most of its 5% per cent convertible preference share issues has also now been switched into ordinary equity.

Laing Properties office sale

Laing Properties, currently on the receiving end of a hostile £441m bid from Rail Mail Properties, yesterday announced that it has sold an office development in Bedford Row, Hol-

PUBLIC WORKS LOAN BOARD RATES

Term	Effective March 1990		Non-quota loans 1% higher		Non-quota loans 2% higher	
	to 30/09/90	to 30/09/91	to 30/09/90	to 30/09/91	to 30/09/90	to 30/09/91
Over 1 up to 2	14.5	14.5	15.5	15.5	16.5	16.5
Over 2 up to 3	14.5	14.5	15.5	15.5	16.5	16.5
Over 3 up to 4	14.5	14.5	15.5	15.5	16.5	16.5
Over 4 up to 5	14.5	14.5	15.5	15.5	16.5	16.5
Over 5 up to 6	14.5	14.5	15.5	15.5	16.5	16.5
Over 6 up to 7	14.5	14.5	15.5	15.5	16.5	16.5
Over 7 up to 8	14.5	14.5	15.5	15.5	16.5	16.5
Over 8 up to 9	14.5	14.5	15.5	15.5	16.5	16.5
Over 9 up to 10	14.5	14.5	15.5	15.5	16.5	16.5
Over 10 up to 15	14.5	14.5	15.5	15.5	16.5	16.5
Over 15 up to 25	14.5	14.5	15.5	15.5	16.5	16.5
Over 25	14.5	14.5	15.5	15.5	16.5	16.5

*Non-quota loans 1% are 1 per cent higher in each case than non-quota loans A. *Equal instalments of principal. *Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). *With half-yearly payments of interest only.

GLYNWED.
THE
RESULTS.

RESULTS FOR YEAR ENDED 31 DECEMBER 1989

	1989	1988
Turnover	\$1,125.2m	\$839.8m
Operating Profit	\$105.3m	\$87.3m
Pre-tax Profit	\$93.8m	\$82.5m
Earnings per Share	30.66p	28.81p
Dividend per Share	11.65p	9.70p
Return-on Capital	41.8%	43.8%

International, Metals, Plastics, Engineering. These are the words to describe Glynwed today.

Nearly a third of sales are now overseas. Glynwed's fastest growing business is in high-tech thermoplastic systems. The Group's expanded distribution network is among the world's largest suppliers of stainless steel.

Glynwed has invested significantly in growth markets in recent years, and is well placed to face the challenges of the 1990s.

Glynwed International plc

THE 1989 REPORT & ACCOUNTS WILL BE POSTED TO SHAREHOLDERS IN MAY 1990. PLEASE WRITE TO THE GROUP SECRETARY, GLYNWED INTERNATIONAL PLC, REDHILL HOUSE, NEW GOVETRY ROAD, SHELTON, STERLINGHAM, G20 3AL.

This advertisement is issued in compliance with the Regulations of the Council of The Stock Exchange of The United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") and does not constitute any invitation for any person to subscribe for or purchase shares.

Application has been made to the Council of The Stock Exchange for the whole of the ordinary shares capital of Torday & Carlisle PLC, issued and being issued, to be admitted to the Official List. It is expected that the ordinary shares of 5p each in the Company will be admitted to the Official List on 20 March 1990 and that dealings will commence on 21 March 1990.

TORDAY & CARLISLE PLC

(Incorporated and registered in England with number 417183)

Placing by
Granville & Co. Limited
of 4,838,710 ordinary shares of 5p each
at 155p per share

Torday & Carlisle PLC is a specialist engineering group.

Share capital following the Placing		Issued and fully paid
Authorised	Ordinary shares of 5p each	
£1,350,000		£796,710

The ordinary shares of 5p each, which are being issued pursuant to the placing rank pari passu in all respects with all other ordinary shares in the capital of Torday & Carlisle PLC, including the right to receive all dividends and other distributions declared, made or paid hereafter on the ordinary share capital of Torday & Carlisle PLC, save for the final dividend in respect of the financial year ended 31 December 1989.

In accordance with the Rules and Regulations of the Council of The Stock Exchange, Granville & Co. Limited has instructed Panmure Gordon & Co. Limited and Granville Davies Limited to place 4,838,710 ordinary shares of 5p each respectively.

Listing particulars relating to Torday & Carlisle PLC are available through the Statistical service of Exel Financial Limited. Copies of the Listing Particulars may be obtained during normal business hours on 14 March and 15 March 1990, for collection only from the Company Announcements Office, The Stock Exchange, 40-50, Finsbury Square, London EC2A 1DD and during normal business hours on any weekday (Saturdays & Public holidays excepted) up to and including 28 March 1990 from:

Torday & Carlisle PLC
19 Portland Terrace
Newcastle upon Tyne NE2 1QQ

Granville & Co. Limited
Mint House, 77 Mansell Street
London E1 8AE Member of TSA

Panmure Gordon & Co. Limited
9 Moorfields Highwalk
London EC2Y 9DS. Member of TSA

Granville Davies Limited
Mint House, 77 Mansell Street
London E1 8AE Member of TSA

14 March 1990

UK COMPANY NEWS

Earnings growth slows at Glynwed

By Clara Pearson

GLYNWED International's strong recent earnings per share growth record suffered a severe setback in 1989 when the advance faltered to just 6.4 per cent, against 24 per cent in the previous year.

The advance to 30.66p (28.81p) followed a slowdown in pre-tax profits, which in the year to end-December rose by 18 per cent to £93.3m against 1988's 38.6 per cent rise to £82.5m.

Nevertheless, Glynwed's shares rose 15p to 241p after yesterday's announcement. The pre-tax figure was better than many expectations and the market was also cheered by the dividend recommendation.

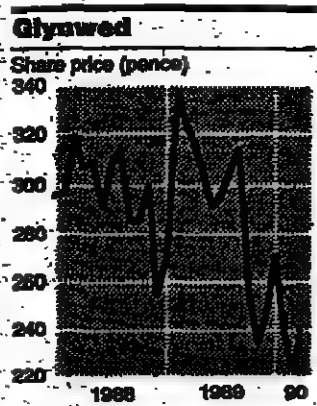
Glynwed intends to lift the year's payment by 20 per cent to 11.65p (9.7p) via a 7.5p final. Mr Gareth Davies, chairman, said at this level dividend cover was 2.6 times within the band of 2.5 to 3 times which the company saw as accept-

able. The weaker 1989 results were attributed to a combination of difficult trading conditions in consumer products, copper tubing and bright steel, and higher UK interest rates.

Together, these meant the group made £13m less profit than budgeted, Mr Davies said. "The out-turn for 1989 is more difficult to predict than for many years," he said. "But there are a number of... considerations which suggest that earnings per share should improve this year."

In particular, plastics were showing every sign of continued growth and overseas sales were set for further improvement. Such sales rose from £187m to £344m, representing 30.5 per cent of group sales, in 1989.

Turnover was £1.13bn (933.8m). Interest payable rose to £12m (24.8m). Operating profits were 20.6 per cent



higher at £105.3m (287.3m), with advances in all divisions of the group apart from consumer and building products and tubes and fittings. The contribution from tubes and fittings fell to £8.3m (13.8m). Within this, the UK copper tube market experi-

enced an unusually high level of imports at the same time as demand fell. However, Mr Davies said the position had improved in the current year.

Consumer and building products made £22.4m (23.2m). A good performance from Agri-Bayburn and Falcon, the commercial catering equipment companies, contrasted with a decline in demand for gas cookers and fires felt by Flavel-Ledura.

In building products, cast-iron products improved which Glynwed said demonstrated its low exposure to the housing market.

Some other parts of the group enjoyed a first full-year contribution from Amari, the steels and plastics company bought for £98m in June 1988. By division, metal services made £17.5m (23.5m), plastics £20.5m (21.5m), steels and engineering £28.1m (20.2m), and properties £10.4m (8.5m).

See Lex

ICI chief gets 7.5% pay boost to £514,000

By Peter Marsh

SIR DENYS Henderson, chairman of Imperial Chemical Industries, last year received a 7.5 per cent pay rise, taking his annual salary from £478,000 to £514,000.

The increase was roughly in line with inflation but slightly above the rise in ICI's pre-tax profits, which went up 4 per cent from £1.47bn in 1988 to £1.53bn.

According to the company's report for 1989, published yesterday, total wage costs at the company rose by nearly 10 per cent from £2.37bn in 1988 to £2.61bn last year. Directors' emoluments increased from £2.2m to £2.67m.

Dalgety purchase

Dalgety is to acquire Appletree Fresh Products, a subsidiary of Appletree Holdings, for £2.5m. The cash value of the acquisition will be approximately £2.5m. This includes repayment of Appletree Holdings loan account of £2.7m offset by £1m cash in the business.

Dissident Aquascutum holders challenge directors' control

By David Owen

A GROUP of shareholders yesterday issued a challenge to the directors' longstanding control of Aquascutum by launching an attempt to enfranchise fully the classic clothing company's restricted voting shares.

Aquascutum's directors, including Mr Gerald Abrams, the chairman, have traditionally controlled the company through ownership of a majority of its 3.5m ordinary shares. Holders of the 27m Class A ordinary shares are entitled to vote only on resolutions for a reduction in capital or winding up the company, or on those which modify, abrogate or directly affect their rights.

Both classes of shares climbed sharply on the prospect that the company's imprugnability to a hostile takeover might be impaired.

The A shares were up 11p to 131p, adding to Monday's 22p gain; the ordinary shares rose 5p to 370p. At these levels, the group is valued at more than £2m.

Based on heavy trading in the A shares in recent months analysts speculate that the dissident group may already have

accumulated a substantial number in the absence of disclosure requirements for restricted or non-voting shares.

The challenge is in the form of a requisition requiring the company to include two resolutions in the notice of its agm, which is usually held in June.

These are: fully to enfranchise the group's Class A restricted voting shares and to appoint shareholder-group leaders Mr Brian Myerson and Mr William Dacombe as additional directors. As an alternative, resolutions to enfranchise the Class A shares via a scheme of reconstruction would be acceptable.

Mr Dacombe, who would make no comment yesterday, is a former assistant chief executive of Williams and Glyn's Bank and non-executive chairman of WA Tyzack, the Sheffield engineering group.

During his time with Tyzack in 1987, dissident shareholders requisitioned an extraordinary meeting in an effort to remove him and to add directors to the board. The move resulted in a compromise in which new directors were appointed but Mr Dacombe was retained.

The South African Brian Myerson family was part of a concert party which took control of Oceana Development Investment Trust in 1988. The family's representative sold an 18.6 per cent stake in Oceana a year later. It is now largely UK based.

It appeared yesterday as if the outcome of the initiative might hinge on whether Class A shareholders are able to vote on the required resolutions. "This remains in doubt,"

Aquascutum, whose customers include Mrs Margaret Thatcher, advised shareholders to take no action, pending a further statement once directors had taken "appropriate advice."

Its recent financial performance has been far from sparkling, with pre-tax profits falling in each of the past two years.

For the year to January 31, 1989, the decline was blamed on exceptional costs arising from the collapse of an overseas franchise, together with an instance of "damaging" parallel trading. Pre-tax profits for the six months to July 31 1989 were down a further £193,000 at £516,000.

Lancaster braked as interest rates bite

By John Griffiths

HIGH INTEREST rates, the abandonment of a used car joint venture with Halfords and the weakening UK car market meant pre-tax profits at Lancaster, the vehicle retailing group, into reverse last year.

The profit of £4.31m, down from £4.4m, was struck after taking into account an exceptional credit of £976,000 representing the sale of a surplus dealership site for £2.4m, less the £1.4m costs of closing Central Park, the venture with

Halfords, last December. However, Mr Nicholas Lancaster, group managing director, insisted yesterday that profits growth would resume during the current year.

Lancaster derives 80 per cent of its profits from specialist cars such as Jaguar and Porsche, and Mr Lancaster said that as a result the group expected to escape the worst of what he described as the "disorderly" conditions developing in the volume car sector, in

which dealer profits margins are being reduced sharply.

He also disclosed that Lancaster has started preliminary talks aimed at establishing a presence in Continental European car retailing, and that in the second half of this year it will launch the second phase of a programme to establish what Lancaster claims will be the first national network of vehicle body repair centres.

Operating profits in 1989 were 9 per cent higher at £5.26m (54.51m), on turnover 25 per cent higher at £187.75m (150.5m).

However, interest payable more than doubled to £1.5m (582,000) as a result of investment in new dealerships, and reduced profits at the pre-tax and extraordinary level by 20 per cent, from £4.19m to £3.3m.

Central Park attracted considerable interest from the motor trade as it represented a novel attempt to establish a chain of indoor used car centres in out-of-town shopping areas.

Earnings per share eased slightly to 15.4p (16.5p). The final dividend of 8p raises the total for the full year by 0.5p to 4.5p.

Tay Homes advances to over £3m

THE DIVIDE in the UK housebuilding market was well illustrated yesterday by Leeds-based Tay Homes.

Announcing taxable profits ahead 14 per cent to £3.02m (2.64m) for the six months to end-December, Mr Trevor Spencer, chairman, said that operations in Yorkshire, Scotland and the north west of England, which together account for some 85 per cent of turnover, made good progress.

During the period, Tay sold 333 dwellings, up from 292 in the corresponding six months of 1988. Turnover was £22.99m (217.96m). An interim dividend of 1.2p (1p) is payable from earnings of 8.1p (7.5p).

Community Hospitals at £3.09m

In its first reporting period since going public, Community Hospitals Group announced pre-tax profits of £3.09m for the six months to end-December.

This figure, however, included an exceptional gain of £1.07m resulting from the disposal of the group's investment in Caldaire, the company which owned Methley Park Hospital in Leeds.

NEWS DIGEST

Sir Peter Thompson, the chairman, said the new capital arising from the flotation had enabled the group to pursue its policy of growth, both organic and by acquisition. After the exceptional item, and tax of £387,000, earnings per £1 share came out at 8.7p and the board has declared an interim dividend of 1.5p.

Interest charges hit Everest Foods

Difficult trading conditions for frozen foods and high interest charges left Everest Foods with a lower interim taxable profit of £716,000, against £1.08m. Mr Bob Gilbert, chairman, said in the next few months the company would be trying to reduce gearing and improve the frozen foods division.

Turnover for this USM-quoted company in the six months to November 30 was £13.52m (28.17m). The pre-tax figure was struck after higher interest charges of £418,000 (£102,000).

Tax took £251,000 (£286,000) for earnings per share of 4.65p (7.07p). The interim payment is maintained at 2p.

Doeflex static at £1.26m

Doeflex, a manufacturer of plastic materials, saw pre-tax profits improve slightly to £1.26m in 1989, against £1.2m.

Both divisions lift Secure Trust

Secure Trust, the financial services group, made £4.51m before tax in its first year as a publicly listed company. This marked an improvement of 24 per cent on its pro forma result of £3.63m the year before.

The increase came in both the company's main lines of business - home budgeting services and insurance broking. There was also a gain in interest income. A recommended final of 6p lifts the total dividend for the year to 8.5p, an increase of 20 per cent.

Mr Henry Angest, chairman, said the company was largely insulated from the effects of high interest rates and inflation. Some small acquisitions were made last year, and he saw further prospects for growth through acquisition when the right opportunities arose.

ASSET BACKED FINANCE

The Financial Times proposes to publish this survey on:

27th MARCH 1990

Courtaulds Textiles plc

(Incorporated and registered in England and Wales under the Companies Act 1985 No. 2453158)

Introduction to the Official List

SHARE CAPITAL

The present authorised ordinary share capital of Courtaulds Textiles plc ("Courtaulds Textiles") and the estimated ordinary share capital to be issued is as follows:

Authorised	To be issued
£37,000,000	£25,171,072
Ordinary shares of 25p each	

Courtaulds Textiles is to be demerged from Courtaulds plc. Application has been made to the Council of The Stock Exchange for the admission to the Official List of 100,684,289 Ordinary shares of 25p each in Courtaulds Textiles, subject to approval of the demerger by the Ordinary shareholders of Courtaulds plc. Details relating to Courtaulds Textiles and the above shares will be available in the statistical services of Exel Financial Limited from 19th March, 1990. The sponsoring member firm is S.G. Warburg & Co. Ltd.

Copies of the listing particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 2nd April, 1990 from:

Courtaulds Textiles plc
13-14 Margaret Street,
London W1A 3DA

S.G. Warburg & Co. Ltd.
2 Finsbury Avenue,
London EC2M 2BA

and from the 14th to 19th March, 1990 from the:

Company Announcements Office
The International Stock Exchange,
44-50 Finsbury Square,
London EC2A 1DD

24th March, 1990



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COMMODITIES AND AGRICULTURE

Gold retreats below \$400 on dollar strength

By David Blackwell

GOLD PRICES retreated well below the psychologically important \$400-a-ounce level yesterday, principally in response to the continued strong performance of the dollar.

Some precious metals analysts are still sticking by their assertions that the bull trend which started last autumn has not met with an early demise. But others believe the price could now have trouble climbing back over \$400 an ounce.

Traditionally high interest rates have not been good for gold, but recently there has been a flight to currencies from the precious metals sector.

On the London bullion market gold closed at \$396.35 yesterday, a fall of \$4.75 an ounce, and the lowest close since January 4. Mr. Andy Smith, precious metals analyst with UBS Phillips & Drew, said that if the price continued down through the technical support level of \$384, it would quickly fall to \$365.

The markets had become myopic on the dollar, he said.

The D-mark was reflecting worries over German unification and the yen was reflecting both political worries and Japanese reluctance to raise interest rates. In addition, Japanese investors and speculators had taken their profits on gold.

"The dollar has been killing gold since early February - the buying on dips in the price has got progressively more anemic and speculative activity has fallen away," said Mr. Smith. There had been no lifelines thrown from the platinum and silver markets, and the situation did not look like changing, at least for the week.

Mr. Neil Buxton, an analyst with Shearson Lehman Hutton, pointed out that gold had fallen from above \$420, and said that sentiment had now turned very negative.

Other observers admitted that the market was living dangerously, but it "would be most unusual if the bull trend was to last only a few months," said one. "Gold changed direction last autumn, and we've not broken the uptrend yet."

Canadian prospectors feeling the pinch

Kenneth Gooding finds spirits running low at a mining convention in Toronto

MONEY SPENT on mining exploration in Canada this year will fall to under half the level needed to maintain the country's position as the world's third-largest minerals producer, according to Mr. Robert Ginn, president of the Prospectors and Developers Association of Canada.

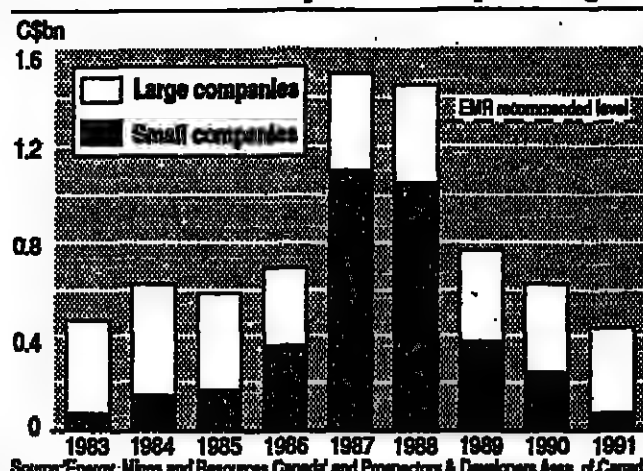
In 1991 expenditure is likely to be only one-third of the \$4.1bn (\$685) Canada's Energy, Mines and Resources Ministry estimates is required if the country's metals production is to be sustained and particularly if seriously-depleting base metals reserves are to be replenished.

Those reserves have fallen by nearly one third since 1980 and the trend seems likely to continue.

Canada has a great deal to lose, says Mr. Ginn. The mining industry contributes about \$3.8bn to the country's export earnings, or 25 per cent of the total, and another \$2.2bn in corporate taxes.

Mr. Ginn suggests that exploration expenditure has dropped substantially because the small, or junior, mining and exploration companies can no longer raise the funds they need. Their financial lifelines have been cut by a combination of a relatively low gold price, the stock markets crash

Canadian mine exploration spending



Source: Energy, Mines and Resources Canada and Prospectors & Developers Assn. of Canada

of October 1987, which damaged investor confidence, and confusion over the future of the Canadian Government's scheme which permitted tax benefits to "flow through" to investors in mining and exploration companies.

The association, meeting here for its annual convention, is furious because the Government went back on its promise to give six months notice of any changes to the latest flow-through arrangements.

The Government put the final nail in the coffin of flow-through shares in its recent Budget when the Canadian Exploration Incentives Programme was cancelled. Companies incurring expenses on exploration through flow-through share agreements will no longer be eligible for assistance through a 30 per cent grant. The incentives programme was a successor to the Minerals Exploration Depletion Allowance, which enabled investors, if necessary, to write off 125 per cent on exploration funds invested through flow-through shares.

Money poured into flow-through shares, reaching a record \$4.183bn in 1987 when it was clear that the scheme might end. Last year the total was down to an estimated \$3.7bn. Exploration expenditure in Canada reflected this trend, falling from a record level of \$4.15bn in 1987 to between \$3.8bn and \$3.9bn last year.

Mr. Ginn says the total spent on exploration is likely to be \$3.5bn this year.

The association suggests that junior companies, far from filling the gap left by cash-starved juniors, will reduce exploration spending because of falling metal prices and the industrial slow-down in North America.

"We can expect spending by the junior companies to drop to the level of 1983 and those were the days when the Government had to enact emergency plans to employ our nation's geologists and engineers," says Mr. Ginn.

The association is calling for the Government to implement changes to the way capital gains tax is charged on projects through shares to increase the attraction of these investments.

It can produce other examples to show that Canada's mining industry is in decline. The Energy, Mines and

Resources Ministry's statistics show that total mine investments, including repair and development expenditure, have remained essentially flat. Investments in machinery and equipment and on surface and underground structures have generally declined each year and in 1988 were half of what they were in 1981.

Statistics compiled by the Canadian Diamond Drilling Association indicate that exploration drilling, in terms of footage drilled, fell by 18 per cent in 1988 compared with the previous year and the decline continued in 1989 when in the first half the fall was 23 per cent.

But this does not mean that the Canadian mining industry is in terminal decline.

The prospectors' association says that, thanks largely to the flow-through share scheme, past exploration efforts resulted in more than 30 new mineral discoveries last year. There were also 113 projects in an advanced stage of exploration (meaning that they had moved to underground or open pit exploration); 30 projects were in the development stage (meaning that production plans had been announced); and the association can point to 75 new producing mines which started up since 1986.

Peruvian mine strike spreads

THE STRIKE which began on Monday at the Southern Peru Copper Corporation spread yesterday, reports Sally Bowles in Lima. The principal mine, Cuajone, and the smelter at Ilo both shut down on March 13 with the third and final installation, the Toquepala mining complex, joining in yesterday.

US-owned SPCC produces around two-thirds of all Peru's copper - 230,000 tonnes last year, out of a national total of 324,000 tonnes. Of this, 135,000 tonnes came from Cuajone and 98,000 tonnes from Toquepala. All ore from the two mines, located between the southern city of Arequipa and the Chilean frontier, is treated at the Ilo smelter.

Some 60 per cent of the blister goes on to the state-owned Mineroper refinery, while the remainder is exported.

WEEKLY METALS

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 1,750-1,800 (same).

BISMUTH: European free market, min. 99.99 per cent, \$ per tonne, in warehouse, 4,400-4,500 (4,400-4,500).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4,400-4,500 (4,400-4,500).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 8,100-8,400 (8,100-8,400).

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 225-240 (same).

MOLYBDENUM: European free market, drummed molybdenum trioxide, 99.95 per cent, in warehouse, 3,100-3,250 (2,950-3,000).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 5,500-6,000 (same).

TUNGSTEN ORE: European free market, standard, min. 65 per cent, \$ per tonne, in warehouse, 10,000-11,000 (same).

WOLFRAM: European free market, min. 98 per cent, \$ a lb, in warehouse, 5,500-6,000 (same).

URANIUM: Mexico exchange value, \$ per lb, UO₂, 8.00 (same).

Africa caught in a cleft stick over forestry development

Geoffrey Pleydell reports on a seminar organised by the International Tropical Timber Organisation in Accra

AFRICA IS unlikely to attract greater investment to develop its forest-based industries without political commitment to safeguarding its forests. That was the recurring theme at a seminar held by the International Tropical Timber Organisation in Accra recently on opening up ways for African countries to process timber to a much greater extent before export. At present most of Africa's wood is still exported as logs.

The organisation is concerned that Africa is not asking for help although has a much lower level of investment in forest industry than the main tropical timber regions in the Far East, and South America.

Europe is Africa's main overseas market for timber. In 1988 European Community members imported from Africa 2.7m (UK \$9,000) cubic metres of logs and 700,000 (UK \$9,000) cu m of sawn timber. Africa's share of sawn timber exports is strong compared to the Far East countries where the export of logs is either already banned (Malaysia, Indonesia and the Philippines) or will be increasingly curtailed (Sarawak, Borneo and Papua New Guinea).

Mr. Markin, similar of the International Tropical Timber Council, said at the seminar

that African countries should create specific targets for phasing out log exports and go for more downstream activity in processed timber, furniture components and other added value possibilities. The aim being to retain a greater share of income from wood exports as well as creating more jobs and increasing the technical and management resources in African countries. However, there is a lack of project proposals being made to the ITTO by African countries.

In moving from logs to products like furniture components there have to be the intermediate steps of sawmilling and drying. Many of the Francophone African countries have not yet advanced far in these key areas.

Hosted by Ghana's Timber Export Development Board, representatives of Liberia, the Ivory Coast, Nigeria, Congo, the Central African Republic, Cameroon, and Gabon heard Mr. Claude Heine of the World Bank call for a review of national policies to make sure that there is forest management providing sustainable yields of timber on which to base investment.

It is unlikely that high investment and commitment will come unless investors can



Young trees from this Ghanaian nursery will be providing good quality sawn timber in less than 30 years

be sure of adequate forest resources - which touches not only on long term forest management but on the sensitive issue of forestry concession allocation, complicated by an interweaving of local community pressure, traditional land rights and family and political loyalties.

There is now considerable irritation in Africa over the criticisms levelled by environmentalists in Europe about the logging in Africa. It is outside the control of the timber industry itself. Nevertheless Africans are

angry that public opinion in Europe is suspicious of the place of logging, and has more and more moved to the concept of not buying tropical wood unless it can be proven to come from properly managed forests.

They see a lack of sympathy for their problems and a lack of recognition of efforts being made to change things. They are asking ITTO to be much more active in explaining to the developed world the role of timber and forests in the lives of African people, and in the economies of African nations. On their part they say it is important to show to their own people that the forests have a definite financial value and therefore is worth protecting. Over centuries the forest has always been there, taken for granted, and casually destroyed.

Conditions vary from country to country, from the huge, hardly touched forests of the Congo, where positive policies of attracting migrants has led to heavy depletion. Nigeria too, with a population of over 100m, has made massive inroads on its timber resources and now exports no timber at all from its natural forests.

Most of the francophone

countries depend very heavily on log exports, whereas Ghana has already banned the export of logs of 18 species. Ghana also has a well established array of productive forest reserves, and its Forestry Department is currently being strengthened with more technical and financial assistance from Britain's Overseas Development Administration.

One of the recommendations of the Accra meeting is that each country should have its own strategy group to co-ordinate the views of forestry, trade, research, training, and government. Wood production, and productive and protective forestry must be given much higher priority in national social and economic planning, and in land use strategies.

Mr. Kwame Pappah, Ghana's Secretary for Lands and Natural Resources, says that African countries are dependent on forestry because of the situation of their forest resources, but national management of resources creates immediate costs for them.

Africa cannot on its own progress far down the road towards further processing of its timber because it lacks the experience and technology. It needs to attract outside help and outside investment. Whilst

help will be forthcoming from ITTO, Unid and other international institutions, it looks as though the World Bank has been sufficiently rattled by the attacks of environmentalists not to want to be involved unless there are clear commitments to national reviews of forest sectors and governmental commitment to forests which both protects the environment and provides continuing harvests of timber.

Foreign investors are unlikely to appear without considerable assurances about political stability, assured forestry concessions and a set of rules which enable them to plan confidently. "Changing the harvest cycle as one delegates put it, 'is a certain disincentive'."

Sadly, it is those countries which have seen the greatest damage which have advanced the most in added value products. Nigeria and the Ivory Coast have shown more ingenuity in creating more rewards from declining resources under the pressures of necessity. Industrial development of their wood businesses shows the benefits of greater recovery of usable wood from a log, even so does not address the need to use more of the species which grow in the forest.

CORRECTION

German farms

IN YESTERDAY'S article on West German farm income the differential figure between average farm income and average income in trade and industry was incorrectly stated. At DM22,386 (£1,700 at the current exchange rate) average farm income in 1988-89 was 18 per cent less than the average comparative income in trade and industry of DM29,900.

MARKET REPORT

COCOA prices closed at 5 1/2-month highs yesterday on rumours that the Ivory Coast, the world's biggest producer, had overhauled its current crop and that two Ivorian shippers were having problems meeting commitments for March physical shipments. Traders said that there was a general feeling that despite the high level of world stocks, the market had moved up to a higher level and that technical factors remained constructive. Robusta coffee prices, which on Monday retreated below \$700 a tonne, regained the losses yesterday, supported by stronger arabica prices in New York. London was

also helped by continued concern over the situation in the Ivory Coast and by the weakness of sterling, the traders said. On the LME the premium for cash eased over three-month futures to three-month forward, at more than \$200 a tonne, is overbought and in need of a downward correction. Zinc advanced strongly, but some analysts, while acknowledging nearby tightness caused by supply problems, were unsure whether demand had shown an increase sufficient to warrant further sharp price rises.

Compiled from Reuters

London Markets

SPOT MARKETS	
Cocoa oil (per barrel FOB)	
Grade A	81.00-81.50 +
Brand Bland	81.00-81.50 +
WTI (1 pm est)	23.01-23.05 +
Oil products	
Gasoline (NWS prompt delivery per tonne CIF)	
Premium Gasoline	122-123 -
Gas Oil	122-123 -
Heavy Fuel Oil	122-123 -
Naphtha	122-123 -
Petroleum Argus Estimates	
Other	
Gold (per troy ounce)	339.25 -
Silver (per troy ounce)	5.50 -
Platinum (per troy oz)	540.00 -
Palladium (per troy oz)	510.00 -
Aluminium (three month)	1235 +
Copper (US Producer)	122 1/2-127
Lead (three month)	48 1/2 -
Nickel (three month)	41 -
Tin (Kuala Lumpur market)	16.86 -
Zinc (three month)	2.55 -
Zinc (US Prime Western)	70 1/2 -
Cash (five weight)	110.13p +
Shops (good weight)	228.85p +
Pige (five weight)	84.19p -
London daily sugar (raw)	3373.42 -
London daily sugar (white)	5439 -
London and Paris spot sugar	5240.5 -
Barley (English lead)	170.25 -
Wheat (US No. 3 yellow)	12.28p +
Maize (US No. 3 northern)	13.33p
Rubber (Apr)	57.00p
Rubber (May)	57.75p
Rubber (Jul, HS No 1 Apr)	23.00m -1
Coconut oil (Philippines)	830n
Coconut oil (Siam)	820n
Copra (Philippines)	826.5n
Soyabans (US)	51 -
Cotton "A" index	79.30n
Latex (one Super)	57.3p
Rubber	

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BANKS, HP & LEASING

1999/90	Share	Price	Div	Yield	P/E
1999/90	Bank of America	108.5	1.2	1.1	10.8
1999/90	Bank of England	108.5	1.2	1.1	10.8
1999/90	Bank of Ireland	108.5	1.2	1.1	10.8
1999/90	Bank of Scotland	108.5	1.2	1.1	10.8
1999/90	Bank of Wales	108.5	1.2	1.1	10.8
1999/90	Bank of Cyprus	108.5	1.2	1.1	10.8
1999/90	Bank of Greece	108.5	1.2	1.1	10.8
1999/90	Bank of Italy	108.5	1.2	1.1	10.8
1999/90	Bank of Spain	108.5	1.2	1.1	10.8
1999/90	Bank of France	108.5	1.2	1.1	10.8
1999/90	Bank of Germany	108.5	1.2	1.1	10.8
1999/90	Bank of Netherlands	108.5	1.2	1.1	10.8
1999/90	Bank of Belgium	108.5	1.2	1.1	10.8
1999/90	Bank of Luxembourg	108.5	1.2	1.1	10.8
1999/90	Bank of Portugal	108.5	1.2	1.1	10.8
1999/90	Bank of Greece	108.5	1.2	1.1	10.8
1999/90	Bank of Italy	108.5	1.2	1.1	10.8
1999/90	Bank of Spain	108.5	1.2	1.1	10.8
1999/90	Bank of France	108.5	1.2	1.1	10.8
1999/90	Bank of Germany	108.5	1.2	1.1	10.8
1999/90	Bank of Netherlands	108.5	1.2	1.1	10.8
1999/90	Bank of Belgium	108.5	1.2	1.1	10.8
1999/90	Bank of Luxembourg	108.5	1.2	1.1	10.8
1999/90	Bank of Portugal	108.5	1.2	1.1	10.8

BUILDING, TIMBER, ROADS

1999/90	Share	Price	Div	Yield	P/E
1999/90	Building Materials	108.5	1.2	1.1	10.8
1999/90	Timber	108.5	1.2	1.1	10.8
1999/90	Roads	108.5	1.2	1.1	10.8

ELECTRICALS - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Electricals	108.5	1.2	1.1	10.8

ENGINEERING - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Engineering	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

CHEMICALS, PLASTICS

1999/90	Share	Price	Div	Yield	P/E
1999/90	Chemicals	108.5	1.2	1.1	10.8
1999/90	Plastics	108.5	1.2	1.1	10.8

ELECTRICALS - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Electricals	108.5	1.2	1.1	10.8

ENGINEERING - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Engineering	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

BEERS, WINES & SPIRITS

1999/90	Share	Price	Div	Yield	P/E
1999/90	Beers	108.5	1.2	1.1	10.8
1999/90	Wines	108.5	1.2	1.1	10.8
1999/90	Spirits	108.5	1.2	1.1	10.8

BUILDING, TIMBER, ROADS

1999/90	Share	Price	Div	Yield	P/E
1999/90	Building	108.5	1.2	1.1	10.8
1999/90	Timber	108.5	1.2	1.1	10.8
1999/90	Roads	108.5	1.2	1.1	10.8

ELECTRICALS - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Electricals	108.5	1.2	1.1	10.8

ENGINEERING - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Engineering	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

BUILDING, TIMBER, ROADS

1999/90	Share	Price	Div	Yield	P/E
1999/90	Building	108.5	1.2	1.1	10.8
1999/90	Timber	108.5	1.2	1.1	10.8
1999/90	Roads	108.5	1.2	1.1	10.8

BUILDING, TIMBER, ROADS

1999/90	Share	Price	Div	Yield	P/E
1999/90	Building	108.5	1.2	1.1	10.8
1999/90	Timber	108.5	1.2	1.1	10.8
1999/90	Roads	108.5	1.2	1.1	10.8

ELECTRICALS - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Electricals	108.5	1.2	1.1	10.8

ENGINEERING - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Engineering	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

BUILDING, TIMBER, ROADS

1999/90	Share	Price	Div	Yield	P/E
1999/90	Building	108.5	1.2	1.1	10.8
1999/90	Timber	108.5	1.2	1.1	10.8
1999/90	Roads	108.5	1.2	1.1	10.8

BUILDING, TIMBER, ROADS

1999/90	Share	Price	Div	Yield	P/E
1999/90	Building	108.5	1.2	1.1	10.8
1999/90	Timber	108.5	1.2	1.1	10.8
1999/90	Roads	108.5	1.2	1.1	10.8

ELECTRICALS - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Electricals	108.5	1.2	1.1	10.8

ENGINEERING - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Engineering	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

BUILDING, TIMBER, ROADS

1999/90	Share	Price	Div	Yield	P/E
1999/90	Building	108.5	1.2	1.1	10.8
1999/90	Timber	108.5	1.2	1.1	10.8
1999/90	Roads	108.5	1.2	1.1	10.8

BUILDING, TIMBER, ROADS

1999/90	Share	Price	Div	Yield	P/E
1999/90	Building	108.5	1.2	1.1	10.8
1999/90	Timber	108.5	1.2	1.1	10.8
1999/90	Roads	108.5	1.2	1.1	10.8

ELECTRICALS - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Electricals	108.5	1.2	1.1	10.8

ENGINEERING - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Engineering	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

INDUSTRIALS (Misc.) - Contd

1999/90	Share	Price	Div	Yield	P/E
1999/90	Industrials	108.5	1.2	1.1	10.8

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MINES—Contd					
	1989/90 High Low	Stock	Price	+ or - Stk Net	% Chg Gr
Miscellaneous					

79.6	64	24	386 Bond Int. Gold	58.4	
	50	194	24 Butte Mining 10p... Y	20	+4
	124	79	194 Colby Res Corp	23	-2
	78		Cons Murch. 10c	88	-1
			400RX Inc	13	-3

11.5	98	65	Greenwich Res.	67	-1		
10.5	85	30	Greenwich Res.	51	+	50200	1.1
10.2	114	46	Whitew to Gold Mines	52	+	52000	1.1
9.5	51	26	Plumtree Lake Mining S1	52	+	52000	1.1
9.2	16.2	26	Plumtree Lake Mining S1	52	+	52000	1.1
8.5	47	34	Plumtree Lake Mining S1	52	+	52000	1.1
8.2	28	34	Plumtree Lake Mining S1	52	+	52000	1.1
7.5	25	34	Plumtree Lake Mining S1	52	+	52000	1.1
7.2	25	34	Plumtree Lake Mining S1	52	+	52000	1.1
6.5	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
6.2	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
5.5	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
5.2	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
4.5	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
4.2	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
3.5	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
3.2	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
2.5	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
2.2	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
1.5	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
1.2	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
0.5	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
0.2	40	34	Plumtree Lake Mining S1	52	+	52000	1.1
0.1	40	34	Plumtree Lake Mining S1	52	+	52000	1.1

2009/10		THIRD MARKET													
		High	Low	Black	CHSD	CHSD	Price	+	-	Net	Net	Total	P/R		
1	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
2	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
3	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
4	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
5	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
6	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
7	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
8	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
9	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
10	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
11	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
12	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
13	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
14	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
15	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
16	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
17	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
18	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
19	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
20	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
21	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
22	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
23	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
24	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
25	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
26	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
27	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
28	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
29	46	9	4	1	1	1	1	1	1	1	1	1	1	1	
30	46	9	4	1	1	1	1	1	1	1	1	1	1	1	

STOCK	PRICE	STOCK	PRICE	STOCK	PRICE
70	Schaffert Bond St.	100	0.75	5.4	10.00
71	Schaffert Bond St.	100	0.75	5.4	10.00
72	Schaffert Bond St.	100	0.75	5.4	10.00
73	Schaffert Bond St.	100	0.75	5.4	10.00
74	Schaffert Bond St.	100	0.75	5.4	10.00
75	Schaffert Bond St.	100	0.75	5.4	10.00
76	Schaffert Bond St.	100	0.75	5.4	10.00
77	Schaffert Bond St.	100	0.75	5.4	10.00
78	Schaffert Bond St.	100	0.75	5.4	10.00
79	Schaffert Bond St.	100	0.75	5.4	10.00
80	Schaffert Bond St.	100	0.75	5.4	10.00
81	Schaffert Bond St.	100	0.75	5.4	10.00
82	Schaffert Bond St.	100	0.75	5.4	10.00
83	Schaffert Bond St.	100	0.75	5.4	10.00
84	Schaffert Bond St.	100	0.75	5.4	10.00
85	Schaffert Bond St.	100	0.75	5.4	10.00
86	Schaffert Bond St.	100	0.75	5.4	10.00
87	Schaffert Bond St.	100	0.75	5.4	10.00
88	Schaffert Bond St.	100	0.75	5.4	10.00
89	Schaffert Bond St.	100	0.75	5.4	10.00
90	Schaffert Bond St.	100	0.75	5.4	10.00
91	Schaffert Bond St.	100	0.75	5.4	10.00
92	Schaffert Bond St.	100	0.75	5.4	10.00
93	Schaffert Bond St.	100	0.75	5.4	10.00
94	Schaffert Bond St.	100	0.75	5.4	10.00
95	Schaffert Bond St.	100	0.75	5.4	10.00
96	Schaffert Bond St.	100	0.75	5.4	10.00
97	Schaffert Bond St.	100	0.75	5.4	10.00
98	Schaffert Bond St.	100	0.75	5.4	10.00
99	Schaffert Bond St.	100	0.75	5.4	10.00
100	Schaffert Bond St.	100	0.75	5.4	10.00

of severity names in Alpha, B beta, Y Gamma.

10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000 1001 1002 1003 1004 1005 1006 1007 1008 1009 1010 1011 1012 1013 1014 1015 1016 1017 1018 1019 1020 1021 1022 1023 1024 1025 1026 1027 1028 1029 1030 1031 1032 1033 1034 1035 1036 1037 1038 1039 1040 104

[illegible][illegible][illegible]

4.3	4.3	55	George Padon	12	42
4.5	4.5	56	Preiner	13	18
4.5	4.5	55	Barle Ross	14	37
4.5	4.5	56	Shaw	15	57
5.0	5.0	54	Yulee Ross	16	31
5.0	5.0	54	Uhl	17	31
5.0	5.0	54	Uhl	18	31
5.0	5.0	54	Uhl	19	31
5.0	5.0	54	Uhl	20	31
5.0	5.0	54	Uhl	21	31
5.0	5.0	54	Uhl	22	31
5.0	5.0	54	Uhl	23	31
5.0	5.0	54	Uhl	24	31
5.0	5.0	54	Uhl	25	31
5.0	5.0	54	Uhl	26	31
5.0	5.0	54	Uhl	27	31
5.0	5.0	54	Uhl	28	31
5.0	5.0	54	Uhl	29	31
5.0	5.0	54	Uhl	30	31
5.0	5.0	54	Uhl	31	31
5.0	5.0	54	Uhl	32	31
5.0	5.0	54	Uhl	33	31
5.0	5.0	54	Uhl	34	31
5.0	5.0	54	Uhl	35	31
5.0	5.0	54	Uhl	36	31
5.0	5.0	54	Uhl	37	31
5.0	5.0	54	Uhl	38	31
5.0	5.0	54	Uhl	39	31
5.0	5.0	54	Uhl	40	31
5.0	5.0	54	Uhl	41	31
5.0	5.0	54	Uhl	42	31
5.0	5.0	54	Uhl	43	31
5.0	5.0	54	Uhl	44	31
5.0	5.0	54	Uhl	45	31
5.0	5.0	54	Uhl	46	31
5.0	5.0	54	Uhl	47	31
5.0	5.0	54	Uhl	48	31
5.0	5.0	54	Uhl	49	31
5.0	5.0	54	Uhl	50	31
5.0	5.0	54	Uhl	51	31
5.0	5.0	54	Uhl	52	31
5.0	5.0	54	Uhl	53	31
5.0	5.0	54	Uhl	54	31
5.0	5.0	54	Uhl	55	31
5.0	5.0	54	Uhl	56	31
5.0	5.0	54	Uhl	57	31
5.0	5.0	54	Uhl	58	31
5.0	5.0	54	Uhl	59	31
5.0	5.0	54	Uhl	60	31
5.0	5.0	54	Uhl	61	31
5.0	5.0	54	Uhl	62	31
5.0	5.0	54	Uhl	63	31
5.0	5.0	54	Uhl	64	31
5.0	5.0	54	Uhl	65	31
5.0	5.0	54	Uhl	66	31
5.0	5.0	54	Uhl	67	31
5.0	5.0	54	Uhl	68	31
5.0	5.0	54	Uhl	69	31
5.0	5.0	54	Uhl	70	31
5.0	5.0	54	Uhl	71	31
5.0	5.0	54	Uhl	72	31
5.0	5.0	54	Uhl	73	31
5.0	5.0	54	Uhl	74	31
5.0	5.0	54	Uhl	75	31
5.0	5.0	54	Uhl	76	31
5.0	5.0	54	Uhl	77	31
5.0	5.0	54	Uhl	78	31
5.0	5.0	54	Uhl	79	31
5.0	5.0	54	Uhl	80	31
5.0	5.0	54	Uhl	81	31
5.0	5.0	54	Uhl	82	31
5.0	5.0	54	Uhl	83	31
5.0	5.0	54	Uhl	84	31
5.0	5.0	54	Uhl	85	31
5.0	5.0	54	Uhl	86	31
5.0	5.0	54	Uhl	87	31
5.0	5.0	54	Uhl	88	31
5.0	5.0	54	Uhl	89	31
5.0	5.0	54	Uhl	90	31
5.0	5.0	54	Uhl	91	31
5.0	5.0	54	Uhl	92	31
5.0	5.0	54	Uhl	93	31
5.0	5.0	54	Uhl	94	31
5.0	5.0	54	Uhl	95	31
5.0	5.0	54	Uhl	96	31
5.0	5.0	54	Uhl	97	31
5.0	5.0	54	Uhl	98	31
5.0	5.0	54	Uhl	99	31
5.0	5.0	54	Uhl	100	31

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NOTES—Gross rate to those exempt from competitive rates of tax that actual rate after deduction from CMT for Empire Nat. Gross adjustment to basic rate: Treasury/computerized annual rate list or frequency interest credited.

مكتبة الإمام أبي جعفر

CANADA

Index	Stock	High	Low	Close	Change	Index	Stock	High	Low	Close	Change	Index	Stock	High	Low	Close	Change			
TORONTO																				
2pm prizes March 13																				
Canadian lotto draws scheduled 5																				
2500 AMCA Inc	290	330	290	+	8	28750 Ontario	287	285	285	-	280 Low Corp	210	210	210	-	18 Rd Shakes B	520	515	515	-
4000 Alcan Inc	215	215	215	-	1	28750 Ont 100	27	27	27	-	1800 Bell	210	210	210	-	34100 Remco	510	510	510	-
4010 Alcan 100	215	215	215	-	1	28750 Ont 200	27	27	27	-	1800 Bell 100	210	210	210	-	4000 Procap I	510	510	510	-
4010 Alcan 200	215	215	215	-	1	28750 Ont 300	27	27	27	-	1800 Bell 200	210	210	210	-	3000 Rn Algon	520	520	520	-
4010 Alcan 300	215	215	215	-	1	28750 Ont 400	27	27	27	-	1800 Bell 300	210	210	210	-	11000 Rogers P	510	510	510	-
4010 Alcan 400	215	215	215	-	1	28750 Ont 500	27	27	27	-	1800 Bell 400	210	210	210	-	10000 Rogers S	510	510	510	-
4010 Alcan 500	215	215	215	-	1	28750 Ont 600	27	27	27	-	1800 Bell 500	210	210	210	-	10000 Rogers T	510	510	510	-
4010 Alcan 600	215	215	215	-	1	28750 Ont 700	27	27	27	-	1800 Bell 600	210	210	210	-	10000 Rogers U	510	510	510	-
4010 Alcan 700	215	215	215	-	1	28750 Ont 800	27	27	27	-	1800 Bell 700	210	210	210	-	10000 Rogers V	510	510	510	-
4010 Alcan 800	215	215	215	-	1	28750 Ont 900	27	27	27	-	1800 Bell 800	210	210	210	-	10000 Rogers W	510	510	510	-
4010 Alcan 900	215	215	215	-	1	28750 Ont 1000	27	27	27	-	1800 Bell 900	210	210	210	-	10000 Rogers X	510	510	510	-
4010 Alcan 1000	215	215	215	-	1	28750 Ont 1100	27	27	27	-	1800 Bell 1000	210	210	210	-	10000 Rogers Y	510	510	510	-
4010 Alcan 1100	215	215	215	-	1	28750 Ont 1200	27	27	27	-	1800 Bell 1100	210	210	210	-	10000 Rogers Z	510	510	510	-
4010 Alcan 1200	215	215	215	-	1	28750 Ont 1300	27	27	27	-	1800 Bell 1200	210	210	210	-	10000 Rogers AA	510	510	510	-
4010 Alcan 1300	215	215	215	-	1	28750 Ont 1400	27	27	27	-	1800 Bell 1300	210	210	210	-	10000 Rogers AB	510	510	510	-
4010 Alcan 1400	215	215	215	-	1	28750 Ont 1500	27	27	27	-	1800 Bell 1400	210	210	210	-	10000 Rogers AC	510	510	510	-
4010 Alcan 1500	215	215	215	-	1	28750 Ont 1600	27	27	27	-	1800 Bell 1500	210	210	210	-	10000 Rogers AD	510	510	510	-
4010 Alcan 1600	215	215	215	-	1	28750 Ont 1700	27	27	27	-	1800 Bell 1600	210	210	210	-	10000 Rogers AE	510	510	510	-
4010 Alcan 1700	215	215	215	-	1	28750 Ont 1800	27	27	27	-	1800 Bell 1700	210	210	210	-	10000 Rogers AF				


INDICES

NEW YORK					DOW JONES					1989/90										
Index	Stock	High	Low	Close	Change	Index	Stock	High	Low	Close	Change	Index	Stock	High	Low	Close	Change			
2500 AMCA Inc	290	330	290	+	8	28750 Ontario	287	285	285	-	280 Low Corp	210	210	210	-	18 Rd Shakes B	520	515	515	-
4000 Alcan Inc	215	215	215	-	1	28750 Ont 100	27	27	27	-	1800 Bell	210	210	210	-	34100 Remco	510	510	510	-
4010 Alcan 100	215	215	215	-	1	28750 Ont 200	27	27	27	-	1800 Bell 100	210	210	210	-	4000 Procap I	510	510	510	-
4010 Alcan 200	215	215	215	-	1	28750 Ont 300	27	27	27	-	1800 Bell 200	210	210	210	-	3000 Rn Algon	520	520	520	-
4010 Alcan 300	215	215	215	-	1	28750 Ont 400	27	27	27	-	1800 Bell 300	210	210	210	-	11000 Rogers P	510	510	510	-
4010 Alcan 400	215	215	215	-	1	28750 Ont 500	27	27	27	-	1800 Bell 400	210	210	210	-	10000 Rogers S	510	510	510	-
4010 Alcan 500	215	215	215	-	1	28750 Ont 600	27	27	27	-	1800 Bell 500	210	210	210	-	10000 Rogers T	510	510	510	-
4010 Alcan 600	215	215	215	-	1	28750 Ont 700	27	27	27	-	1800 Bell 600	210	210	210	-	10000 Rogers U	510	510	510	-
4010 Alcan 700	215	215	215	-	1	28750 Ont 800	27	27	27	-	1800 Bell 700	210	210	210	-	10000 Rogers V	510	510	510	-
4010 Alcan 800	215	215	215	-	1	28750 Ont 900	27	27	27	-	1800 Bell 800	210	210	210	-	10000 Rogers W	510	510	510	-
4010 Alcan 900	215	215	215	-	1	28750 Ont 1000	27	27	27	-	1800 Bell 900	210	210	210	-	10000 Rogers X	510	510	510	-
4010 Alcan 1000	215	215	215	-	1	28750 Ont 1100	27	27	27	-	1800 Bell 1000	210	210	210	-	10000 Rogers Y	510	510	510	-
4010 Alcan 1100	215	215	215	-	1	28750 Ont 1200	27	27	27	-	1800 Bell 1100	210	210	210	-	10000 Rogers Z	510	510	510	-
4010 Alcan 1200	215	215	215	-	1	28750 Ont 1300	27	27	27	-	1800 Bell 1200	210	210	210	-	10000 Rogers AA	510	510	510	-
4010 Alcan 1300	215	215	215	-	1	28750 Ont 1400	27	27	27	-	1800 Bell 1300	210	210	210	-	10000 Rogers AB	510	510	510	-
4010 Alcan 1400	215	215	215	-	1	28750 Ont 1500	27	27	27	-	1800 Bell 1400	210	210	210	-	10000 Rogers AC	510	510	510	-
4010 Alcan 1500	215	215	215	-	1	28750 Ont 1600	27	27	27	-	1800 Bell 1500	210	210	210	-	10000 Rogers AD	510	510	510	-
4010 Alcan 1600	215	215	215	-	1	28750 Ont 1700	27	27	27	-	1800 Bell 1600	210	210	210	-	10000 Rogers AE	510	510	510	-
4010 Alcan 1700	215	215	215	-	1	28750 Ont 1800	27	27	27	-	1800 Bell 1700	210	210	210	-	10000 Rogers AF				

INDICES

NEW YORK					DOW JONES					1989/90										
Index	Stock	High	Low	Close	Change	Index	Stock	High	Low	Close	Change	Index	Stock	High	Low	Close	Change			
2500 AMCA Inc	290	330	290	+	8	28750 Ontario	287	285	285	-	280 Low Corp	210	210	210	-	18 Rd Shakes B	520	515	515	-
4000 Alcan Inc	215	215	215	-	1	28750 Ont 100	27	27	27	-	1800 Bell	210	210	210	-	34100 Remco	510	510	510	-
4010 Alcan 100	215	215	215	-	1	28750 Ont 200	27	27	27	-	1800 Bell 100	210	210	210	-	4000 Procap I	510	510	510	-
4010 Alcan 200	215	215	215	-	1	28750 Ont 300	27	27	27	-	1800 Bell 200	210	210	210	-	3000 Rn Algon	520	520	520	-
4010 Alcan 300	215	215	215	-	1	28750 Ont 400	27	27	27	-	1800 Bell 300	210	210	210	-	11000 Rogers P	510	510	510	-
4010 Alcan 400	215	215	215	-	1	28750 Ont 500	27	27	27	-	1800 Bell 400	210	210	210	-	10000 Rogers S	510	510	510	-
4010 Alcan 500	215	215	215	-	1	28750 Ont 600	27	27	27	-	1800 Bell 500	210	210	210	-	10000 Rogers T	510	510	510	-
4010 Alcan 600	215	215	215	-	1	28750 Ont 700	27	27	27	-	1800 Bell 600	210	210	210	-	10000 Rogers U	510	510	510	-
4010 Alcan 700	215	215	215	-	1	28750 Ont 800	27	27	27	-	1800 Bell 700	210	210	210	-	10000 Rogers V	510	510	510	-
4010 Alcan 800	215	215	215	-	1	28750 Ont 900	27	27	27	-	1800 Bell 800	210	210	210	-	10000 Rogers W	510	510	510	-
4010 Alcan 900	215	215	215	-	1	28750 Ont 1000	27	27	27	-	1800 Bell 900	210	210	210	-	10000 Rogers X	510	510	510	-
4010 Alcan 1000	215	215	215	-	1	28750 Ont 1100	27	27	27	-	1800 Bell 1000	210	210	210	-	10000 Rogers Y	510	510	510	-
4010 Alcan 1100	215	215	215	-	1	28750 Ont 1200	27	27	27	-	1800 Bell 1100	210	210	210	-	10000 Rogers Z	510	510	510	-
4010 Alcan 1200	215	215	215	-	1	28750 Ont 1300	27	27	27	-	1800 Bell 1200	210	210	210	-	10000 Rogers AA	510	510	510	-
4010 Alcan 1300	215	215	215	-	1	28750 Ont 1400	27	27	27	-	1800 Bell 1300	210	210	210	-	10000 Rogers AB	510	510	510	-
4010 Alcan 1400	215	215	215	-	1	28750 Ont 1500	27	27	27	-	1800 Bell 1400	210	210	210	-	10000 Rogers AC	510	510	510	-
4010 Alcan 1500	215	215	215	-	1	28750 Ont 1600	27	27	27	-	1800 Bell 1500	210	210	210	-	10000 Rogers AD	510	510	510	-
4010 Alcan 1600	215	215	215	-	1	28750 Ont 1700	27	27	27	-	1800 Bell 1600	210	210	210	-	10000 Rogers AE	510	510	510	-
4010 Alcan 1700	215	215	215	-	1	28750 Ont 1800	27	27	27	-	1800 Bell 1700	210	210	210	-	10000 Rogers AF				

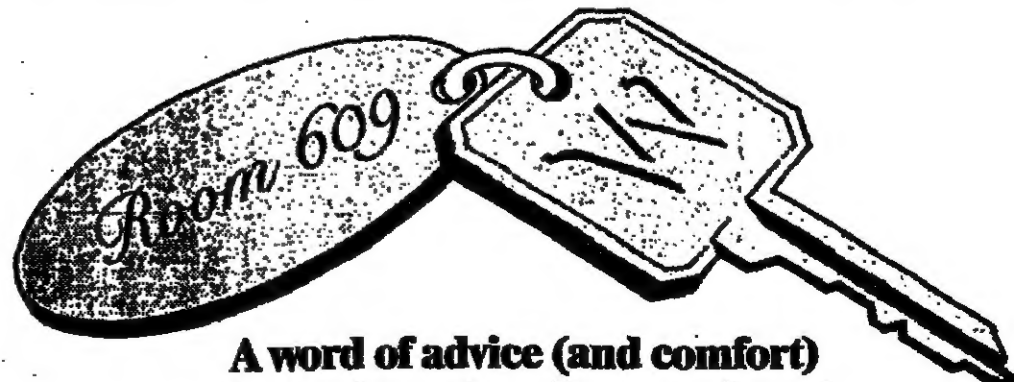
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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 41

هكاه امنه الاصل

NASDAQ NATIONAL MARKET

3pm prices March 19

[illegible]

**Spm prices
March 13**

[illegible]

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

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AMERICA

Dow loses grip on early gains as bonds weaken

Wall Street

EQUITIES were initially encouraged by evidence of a rebound in economic growth, but finally succumbed to weak bond prices, writes Janet Bush in New York.

At 2 pm, the Dow Jones Industrial Average was 14.96 lower at 2,571.85 on moderately active volume of 103m shares. On Monday, the Dow had gained 3.38 points to 2,586.71 on desultory volume of 114m shares, the slowest trading day this year.

The Dow fell about 10 points in early trading and then rebounded to stand about seven points higher before falling again towards midsession as the bond market deteriorated.

US retail sales fell 0.9 per cent last month but, taking out very weak auto sales, they rose 0.5 per cent. In addition, January's sales - excluding autos - rose 0.9 per cent compared with 0.6 per cent originally reported.

Outside the volatile cars sector, almost all categories of sales were strong, suggesting that the US consumer is willing and able to spend. Other data due this week, including industrial production, are expected to confirm the emerging picture of a rebound in economic growth in February which some analysts believe could take first quarter gross national product growth to about 2 per cent.

The conditions, coupled with frequently stated fears of

an acceleration of inflation from US Federal Reserve officials, do not augur well for any further easing in monetary policy. While the combination of rebounding growth and a persistently high underlying rate of inflation is negative for the bond market, the equity market hovers between relief that the chance of recession appears to be fading and concern about inflation.

The market yesterday did both, rising on evidence of continuing growth but then falling in sympathy with the bond market, where prices were quoted as much as 1/4 point lower at midsession. Falls in the bond and stock markets came in spite of a firm dollar which was quoted at Y152.65 at midsession, compared with an earlier low of Y151.55, and at DM17.60 from a low of DM17.05.

Computer stocks were in focus after the publication of a report from an industry trade group, which said that chip demand was up slightly in February. In spite of this, issues were mixed. Pando Computers edged 3/4 higher to \$28 3/4, but Digital Equipment fell 1/4 to \$77 1/4 and National Semiconductor slipped 1/4 to \$7.

Ell Lilly dropped 3/4 to \$2 1/4. A suit was filed against the company on Monday alleging that a pregnancy drug had caused genetic mutations in newborn children.

XTRA added 3/4 to \$30 after the board reaffirmed its commitment to sell the company if it is in a position to do so at the annual meeting tomorrow.

Pathe Communications gained 1/4 to \$6 on apparent optimism that it will be able to obtain financing for its planned \$1.37m acquisition of MGM-UA Communications. MGM-UA was unchanged at \$17 1/2.

Among blue chips, IBM slipped 1/4 to \$106 1/4, General Electric was down 3/4 to \$61 1/4, Philip Morris slipped 3/4 to \$37 1/4 but General Motors added 3/4 to \$47 1/4.

Canada

GOLD and oil shares were the worst hit as the market fell in sluggish morning trade in Toronto. The composite index fell 8.1 to 3,732.1 on volume of 9.2m shares.

Analysts' estimates that oil supplies are higher than previously expected and a seasonal drop in demand depressed oil prices and oil shares. Ranger slipped 3/4 to C\$7 1/4, Saskatchewan Oil C\$4 to C\$4 1/4 and Westcoast C\$4 to C\$4 1/4.

The fall in gold bullion prices in London depressed Canadian gold shares. Placer Dome fell C\$5 to C\$20 1/4, Amco-Eagle C\$4 to C\$4 1/4 and Hemlo Gold C\$4 to C\$4 1/4.